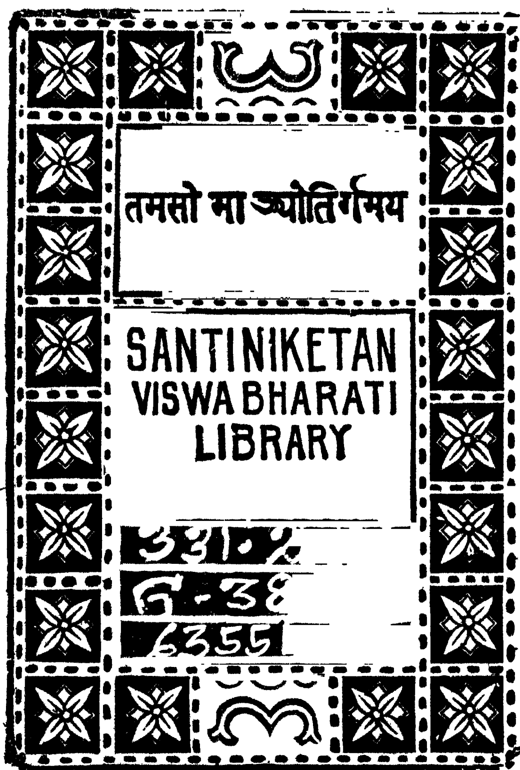


WAGES AND PROFIT-SHARING

THE PAYMENT OF WAGES

AND

PROFIT-SHARING

WITH A CHAPTER ON INDIAN CONDITIONS

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PREFACE

The first two parts of this book were originally written to be published in the series of Bulletins published by the old Department of Industries in the Government of India, of which the author's *Conciliation and Arbitration* was one; indeed, the publication of a volume on wages and profit-sharing was promised in *Conciliation and Arbitration* (Bulletin No. 23, published in 1922). Before the second bulletin was published, however, the Inchcape retrenchment axe fell, and it killed the whole series of publications on labour projected by the Department. The University of Calcutta took over the manuscript on the payment of wages and profit-sharing, and to it was added, by the wish of the late Sir Asutosh Mookerjee, a chapter dealing with the Indian bearings of the subject. For permission to publish this chapter the author has to thank the Hon'ble Mr. Emerson, Member of H. E. The Governor's Executive Council.

The first two parts are published substantially as they were written in 1922, but, as will be apparent from the text and footnotes, an attempt was made to bring them up to date as the work went through the press. Appendix A is another attempt, within the small compass here possible, to bring up to date the material contained in the author's Bulletin on Conciliation and Arbitration.

R. N. GILCHRIST.

WRITERS' BUILDINGS,
Calcutta, July, 1924.

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Part I

The Payment of Wages

1. The Time Wage

The methods of industrial remuneration may be divided broadly into two classes, payment by time, and payment by results. These two classes are by no means mutually exclusive, but they serve to bring out the two chief bases on which wages in modern industry are calculated. Of the two classes, the time wage is by far the simpler and more straightforward method. The system of payment by results has many ramifications—from ordinary piece work to the highly complex bonus and differential systems connected with Scientific Management. The various refinements of the system of payment by results are all modern; they are the outcome of the increasing complexity of modern industry, due mainly to standardisation in production and to trade union organisation among workmen. The older systems were the time wage and the simple piecework wage, but occasionally both the time and the piece systems were accompanied by a share in the product—an early form of profit-sharing—or a bonus varying with the selling price of the product. The latter—the sliding scale system—in the earliest stages was of the nature of a free-will gift on the part of the owner-employer; in its later stages, it became a regular system of payment agreed on by representatives of owners and workers both as an equitable method of remuneration and as a guarantee of industrial peace.

The oldest of all methods of industrial remuneration is the time wage. Since the Industrial Revolution,

the time wage has very largely been supplanted by some kind of payment by results, but the old system still plays a necessary part in industry. The principle of the time wage is that the employee is paid a sum fixed according to a recognised unit of time, *e.g.*, an hour, day, week, month, quarter or year. The longer periods, especially the quarter, half year or year, are used mainly for salary-earning, as distinguished from wage-earning employees, although in the West half-yearly wage contracts are still common in agriculture. The most usual units of time adopted for wage-earners are the hour, day and week.

Nominally, the worker is paid so much for his services per unit of time irrespective of output or quality of work, but the time unit in itself does not constitute an adequate basis for the payment of wages. On the one side, the employer demands a reasonable quantity and quality of work; on the other, the employee must have a sufficiently high wage to enable him to live. The time wage, although it may seem separate from the piece wage, in practice has a piece as well as a time basis, for the workman must perform a certain amount of work, the results of which determine the attitude of the employer towards the wage contract. No employer can afford a worker who is either so lazy or so careless that his work does not pay the employer. In every system of time payment there is a limit of capacity, efficiency or output beyond which an employer cannot afford to go. This is the lower limit of the time wage; and its existence is a permanent stimulus to workmen to keep up a minimum standard of work. It may be called the limit of discharge; employees falling below this limit cannot be employed because they are unremunerative. Normally, employers will only employ the most efficient type of labour, the labour that yields them the highest returns.

At any time employers are liable to be forced to employ inferior workers if there should happen to be a lack of efficient workers, but no one can afford to employ unprofitable men. Trade union action may force a higher wage than the employer considers remunerative, or it may cause him to pay all his workmen, good and bad, the same, or nearly the same wage. By paying the inferior men a minimum wage, he has to reduce the wages paid to better men. But the employer has always at hand the final instrument of dismissal, and, at the lower limit, it is this instrument which guarantees a certain minimum amount of work from men paid on time rates.

Before the Industrial Revolution, when labour was unorganised, the question of the minimum amount of work to be done by employees paid on time rates did not arise in the same form as it does now. Businesses were then smaller; the owner was, as a rule, the manager of the business. He knew and was known by his workmen, and his relations with them were sufficiently intimate to instil personal loyalty and regard, and, perhaps, sometimes fear in the employees. The personal element was a fairly sound guarantee of reasonably efficient work. The lazy or inefficient worker was not only urged by his fellow-workmen to do his best but also worked under the personal supervision of an employer always present in the works. The slacker lived in constant fear of disgrace or derision. With the growth of an organisation these stimuli have disappeared. The old personal type of business has gradually been replaced by the impersonal joint stock company or corporation. The small business has died out, and with it has gone the communal feeling and comradeship which characterised it. Workmen, too, are organised in trade unions, and with trade unionism arose a new loyalty and communal consciousness. The trade union

encouraged the idea of common action among workmen for the betterment of wages and working conditions, and the personal loyalty gradually was supplanted by a new class or trade union loyalty. One of the instruments advocated for the uplift of working class conditions was the restriction of output. With the restriction of output, the fear of disgrace, which previously had acted as a stimulus to good work, now became a stimulus to slackened effort. The disgrace of unpopularity, which previously followed laziness or inattention to work, now follows unusual activity or energy, for such energy may result in exceeding the rate laid down by the trade union of which the individual worker is a member, and in endangering the whole policy of the working class organisations.

From the point of view of the employer, the wages system is judged by the relative cost per job or per unit of product ; from the point of view of the workman, by the amount of wages he can earn without undue exertion. For both the time system has certain advantages and disadvantages. Neither employers nor trade unions have yet been able to make up their minds whether the time system favours their interests more than payment by results. Where results can be accurately measured, employers generally favour payment by results. This is the direct result of the rapid growth of machinery and fixed capital ; and it has been somewhat accelerated by the industrial lessons learnt in the Great War. There is as yet no rule of thumb either in individual industries or industries as a whole. At times trade unions have strenuously objected to any departure from the old-time system, but at other times they have meekly acquiesced in the introduction of the piece system. The main object of trade unions is not so much to fight for any one system but to safeguard conditions of work for

members of the unions, whatever the system. In certain industries the nature of work is such that it necessitates payment by time ; in other industries the system of payment depends largely on custom or agreement between masters and organised employees. In still other industries the unit of work so easily admits of measurement that payment by output is almost universal. The chief industries in which the type of work necessitates payment by time are the transport industries—such as the railways, tramways, carting, work on board ships, agricultural work, general distribution work and clerical work. In some of these industries, sections of the work may be performed on a piece basis. In a large number of industries, payment by results is enforced by the unions, *e.g.*, the textile industries, pottery and glass works, coal-mining and the iron and steel industries. In some industries, the actual system which prevails depends mainly on custom. In the building trade in Great Britain, output can be measured accurately enough, but both custom and the insistence of the unions concerned have preserved the old time system. The same is true of printing. In a very considerable number of industries, time and piece systems exist side by side, as in shipyard work, the clothing industry, the boot and shoe trade, engineering and dock labour. In many of these industries, the same type of work is paid on the piece system at one place and on the time system at another. The actual system of payment depends mainly on local or general agreements between employers and the trade unions concerned. In a number of instances, trade unions have officially condemned piece work, but have allowed their members to continue working on piece rates. In modern trade union policy, payment by results is often made the subject of general policy. The unions may threaten to go against piece work unless the employers agree to other terms

unconnected with piece work, and employers may make the consideration of other subjects, *e.g.*, hours of work, conditional on the acceptance of the piece rate by the unions. The rejection of the piece system in individual cases may be a matter not of principle but of policy.

One of the chief drawbacks of the time system is that it does not encourage individual effort and individual efficiency. This is particularly true in works which employ large bodies of workmen and where trade union influence is strong. In small works, where employers are still in close personal touch with employees, it is often possible by precept or personal example, to encourage men to do their best. In such works, it is also possible for the employer to make adequate differentiation in wages between efficient and inefficient workmen. In large works, the time system requires much activity on the part of the management. The management is responsible for the output, and any loss incurred must be borne by the employer or company. The manager has no way of bringing losses home to the workmen, save by dismissal or a reduction in wages, which always leads to trouble. The output depends on the organisation of the works and on the selection of capable supervisors. The manager must also exercise great care in the selection of his employees. He must employ capable foremen to 'drive' the workmen, to teach them, and prevent slacking; he must always be ready to introduce new machinery to replace manual labour. The time system thus places great burdens on the employer and the management; but, however efficient the management may be, the fact remains that the time system does not permit of adequate differentiation between efficient and inefficient workmen. Trade unions insist that certain minimum rates shall be paid irrespective of the ability of the individual employee.

Were the rate of wages determined by supply and demand alone, the employer might be able to make such differentiation. He would be able to pay high wages to his best workmen, and to grade the scales downward according to his estimate of the efficiency of his men. Trade union action prevents the rate from falling below a certain minimum, with the result that all the workmen, good, bad and indifferent, tend to be paid the trade union minimum and no more. It is almost impossible for the very efficient workmen to get a higher rate of wages than the inefficient workmen; for, if the pay of one or a few men is raised, the other workmen usually claim that they too are entitled to the rise. Refusal to give such a rise leads to internal strife and perhaps ultimately to prolonged strikes which mean loss to the employer and probably failure to establish his principle. By elaborate records of work, it may be possible, in some instances, to grade workmen according to ability, but on the whole trade union policy acts as indicated, and, to save trouble, the employer does not seek to differentiate, but is content to pay all on one level.

This is satisfactory neither to the employer nor to the good employee. The employer wishes to get a maximum output with minimum cost and is always ready to encourage the cheapest class of workmen. The cheapest workman is the best workman, the workman who gives the maximum output with minimum wastage. It always pays the employer to give high wages for good work; high wages in this sense mean low costs. The capable employee dislikes the system by which, although he knows his work better than that of the other workmen, he cannot receive an adequate relative reward. The higher limit of the time wage system is promotion to foremen's jobs, or occasionally even higher jobs; but foremen's jobs are few. This may cause the efficient

workman to chafe under the system, and he may prefer to go where his efforts will be commensurately rewarded. In some cases where trade unionism is too strong for him, he may prefer to leave his country altogether and go to a land where individual initiative and ability have a proper outlet. This course was by no means uncommon in Great Britain in pre-war days. Many workmen preferred the wider opportunities of Canada and America to the restrictions made by trade unions in their own land.

Leaving aside the extra efficient and pushing workmen, the time system holds attractions for the ordinary worker who is content to carry on from day to day or week to week without either undue exertion or ambition. Still more effective is it for the careless or lazy worker, whose main object in life is to get as much money with as little effort as possible. For such the time system, aided and abetted by the trade unions, guarantees a living wage without undue exertion. The quality and quantity of his work are matters of indifference to him, provided that for the time being he can satisfy the demands of his foreman. The time wage, moreover, tends to create similar social groups of workers. These groups all earn similar wages and, if their ambitions are confined to their own groups, they all have a similar social status with similar tastes and expenditure. Rises or falls in wages affect all in the same way and incite them either to common resignation to circumstances, or to common action to better their lot. Their interests are thus confined to the interests of their own social class. Such workmen are not affected by considerations of output, efficiency or individual effort; they are content to carry on as their brother-workmen carry on, and to share in their fortunes. In every such group, from time to time, exceptional individuals emerge who are not

content to accept the recognised standards of the group. These individuals wish to better themselves, and it is precisely for such individuals that the flat rate of the time system is most unsuitable.

In certain types of work, the time system is inevitable; in other types of work, although it is not actually inevitable, it is advisable. This is particularly the case with work which requires highly specialised skill involving meticulous care or original creation. Such work cannot well be gauged by the piece, because it is extremely difficult, if not impossible, to set fair standards by which it can be paid on an output basis. Work of this kind, moreover, requires craftsmanship of a high character and the workman usually takes pride in his work, irrespective of the wages received. To pay such work by the piece would be to give an incentive to hurried or scamped work, and, in a competitive system, the interests of the firm as well as of the individual workman are best served by preserving the highest possible standard of product. Work of this nature is more closely allied to the salary than to the wage system. Professions, and practically all independent lines of work involving original creation, do not require the same stimuli as does wage earning. The salaried professions are predominantly paid on a time basis, but work of the professions is judged on different standards from work of wage-paying industries. The professions provide stimuli both in prospects and in the inherent interests of the work which industrial work does not. In most wage-paying work, the manual worker looks upon his task as a disutility. This fundamental fact is becoming more marked as the organisation of industry becomes more specialised. Work which the ordinary operative has to perform is of a routine and uninteresting character. Highly

specialised subdivision of work in individual concerns, the growth of standardisation of products, and the clear-cut caste distinctions between workmen in individual works is tending more and more to disconnect the individual workman from the main current of the works. Workshops are tending to be divided into units or sections and the workman more and more is losing sight of the unity of the work. Each worker has his own small task. Perhaps it may be only the making of part of a screw, or a bolt, or the polishing of a bit of steel. Once his job is finished and has passed the sectional foreman, it passes on to another workman who adds to it his small contribution, and so on, until ultimately it is marshalled with other pieces when the finished product is put together in a yard which the factory operatives never visit, by mechanics they may not know even by sight. The finished product is ultimately the work of hundreds of operatives, not one of whom has really a personal interest in the efficiency of the finished article. In the old days of small-scale production, when perhaps half a dozen workmen co-operated in making a machine, each one had an individual interest and pride not only in the product as turned out of the workshop, but also in its subsequent history. Under the present system it is unreasonable to expect any incentive to good work to arise from the interest the individual workman has in the product which he helps to produce. Such interest now belongs to the higher staff—the staff which lays the plans and which sees the results. In every factory there are some workmen who take pride in the perfection of their own individual share of work, but in large factories work is reduced to such small limits that it becomes almost mechanical. The interests of the workman in the product may thus be said to vary in direct proportion to his own share of work in the product. The smaller and more mechanical is his share,

in producing a motor car or steam engine, the less is his interest in knowing how that car or engine ultimately stands its tests or serves its owners. The individual workman is only one of the many thousands who have helped to put the car or engine into being, and his communal interest in it is a negligible fraction of what it might have been had the product been the result of months or years of personal care, supervision and handiwork on his part and the part of eight or ten fellow-workmen.

Large-scale production tends to reduce the wage system to a mechanical level. It removes the incentive of the worker to personal exertion through personal interest; the creative or scientific interest has now passed to employers, managers and planners. The onus has changed from the wage-earner to the salary-earner, and the former comes to look upon the wages system as a device by which he is enabled to live in a given social class, and by which he can better himself by means of combined action with his fellow workmen.

Insomuch as the time wage does not provide sufficient incentive to the workman, the employer as a rule considers it costly. Not only does he have to pay a workman more than he might have to pay were output taken into account, but his overhead charges of machinery, plant, interest, etc., are relatively increased. Time wages mean high costs of production. High costs of production, employers argue, must ultimately mean low wages. High wages the wise employer does not grudge, for when accompanied by efficiency they mean low costs of production, which is precisely what every employer claims to accrue from payment by results. Many employers go even further and amplify the simpler systems of piecework by more recondite systems in order to encourage workmen to exert themselves more and more.

Such exertions may double, even treble, wages: but by giving a bigger output and lessening overhead charges, the ability of the employer to pay them is increased.

In the nature of the time wage itself there is nothing to prevent an employer from making distinctions among his workmen according to ability or output. An employer, in theory, may quite easily give extra time pay to specially efficient men. Some trade unions indeed allow for such discrimination, *e.g.*, in the furniture trade in Great Britain special rates of wages are sanctioned for different types of work. Such distinctions may be made fairly easily in small works in which the owner is in close personal contact with his men. In large works, a certain amount of flexibility in a time wage system may be achieved by dividing and subdividing the workmen into craft groups or wage classes to each of which groups or classes a wage is granted according to the type of workmen employed, the skill of the workmen, the supply of workmen, collective agreements, etc. In some cases, although craft groups are not created, firms encourage men to stay in their employment and to serve them efficiently by giving them additional wages for continued service. An incremental system of this kind usually implies that only the best type of workman is kept on, and that, with the increasing years of service in the same firm, the workmen tend to have a loyalty to the firm which is reflected in good output. Theoretically, these variations of the flat time rate are possible; in modern large scale works they are not very practicable. The creation of numerous wage classes with separate scales of wages and the possibility of promotion from one class to another requires not only careful individual supervision but the keeping of accurate records of individual performance. In work done on the time system such records are not only difficult to keep but are often unsatisfactory

when the employer or manager comes to compare them. In practice, few firms take the trouble to keep such records, and as a result practically the whole of the workmen on the time rate of pay are treated alike. Even were the employer to keep records, the probability that the results of these would be accepted without question by the men is so small that he prefers either to pay them all the same on the time basis or, if he is going to make a differentiation at all, to change to the piece wage. Nor again, in a large works, is it possible to differentiate between men on an incremental system. Younger and more agile men are apt to be dissatisfied if their work produces more output than older men who receive a bigger wage. Thus, in spite of the theoretically possible distinctions in the time rate, the fact remains that the time system on the whole does not make adequate provision for the employee who is most remunerative from the point of view of the employer. The employer cannot pay him extra without creating dissatisfaction among the majority of his workmen, and the ultimate effect on the employee himself is that he tends to be discouraged and to fall back among the rank and file of his class.

Where work can be measured on the piece basis and where the workmen are actually paid on the time basis, there is always the possibility of the employer deciding to change from the time to the piece system. This conversion may take place all over the works or only in a part of the works. In some cases both piece and time systems co-exist on different processes. When conversion from the time to the piece basis takes place, piece rates as a rule are fixed on the work done previously on the time basis. Time-workers are thus always faced with the possibility that when the piece rate is fixed, the basis adopted will be the work actually done on the time basis. A fast time rate may thus possibly mean a low-

piece rate. Where workmen's combination is strong, this undoubtedly militates against efficient time work, and is one of the chief causes of the unpopularity of time work both with employer and employee in work where there is the possibility of the introduction of the piece rate. Real as the difficulty is, it is not insurmountable. It arises only because the workmen suspect the motives of employers in changing from one system to the other, and, were means adopted to eradicate such suspicion, the efficiency of the time rate might not be impaired. A possible solution of the difficulty is the fixing of time rates for long periods with a definite guarantee that in no case will good time work be taken as a basis for fixing low piece work rates later. The difficulty is practically all on the side of the workers and if they were safeguarded against unscrupulous employers from possible future disadvantages of good work on the time basis, the time wage might resume its former popularity. The fear of conversion from the time to the piece basis also adds to the difficulty mentioned in the previous paragraph. Extra efficient workmen tend to be unpopular with their fellow-workmen in the fear that the pace they set may be ultimately taken as a standard for the piece system.

From the point of view of the employer, the time system is said to be favourable because of the simplicity of the method of payment. Time wage calculation requires no elaborate records; the pay roll is made up mainly from the attendance register. On the other hand, the employer argues that time work does not give an adequate measure of stability in cost, because the cost per unit cannot be so easily ascertained. Wages under the time system form a more uncertain element in costs than under the piece system. Accurate quotations are accordingly more difficult when wages are paid by time.

This objection in itself is not important, as in practice it has been proved that costing can be done almost as scientifically under the time system as it can be done under the piece system. Certain types of work, it is true, lend themselves more easily to the piece system than to the time system, but it is equally true that other types of work are better suited to the time than to the piece system. Thus, where output cannot be easily or fairly reckoned, or where the nature of the work is such that the various sections cannot be properly apportioned, or where the blame for defective work cannot be fairly placed on the piece system, in work requiring great care or exquisite workmanship, or in work requiring highly specialised skill, and in many types of repairs, the time basis is not only fairer than the piece basis, but gives a more adequate gauge when costs are made out.

From the point of view of the employer the time system is unfavourable because of the amount of supervision it requires. In the absence of special stimuli, the men have to be urged by supervisors, foremen or bosses. The piecework system and premium bonus systems both provide their own stimuli, but it must be remembered that the output system requires a large clerical staff and examining staff. If the time system requires driving, the piece system requires examination and registration. The time system gives less incentive to scamped work than does the piece system. From the point of view of extra cost of supervision, therefore, each system has both its profit and loss aspects.

Generally speaking, the tendency in modern industry is, wherever possible, to replace time wages by payment by results. In a large number of industries and services, of course, it is impossible from the nature of the work to pay the employees by output; but even in those types of work employers usually try to introduce

piecework payment where the nature of the work admits of such. The time system has become unpopular, but several attempts have been made at securing the advantages of the time system with the advantages of the piece system. Employers and employees alike agree that, on the one hand, the time rate does not give sufficient incentive to efficiency and, on the other hand, that it is unfair to pay all workmen the same wage irrespective of their ability or energy. With the development of Scientific Management, of which more will be said later, efforts have been made to combine the task system with the time system. Scientific study of the wages problem has tended to make industrialists look into conditions of work as well as into conditions of payment. The conditions of the task may be easy or difficult, normal or abnormal, pleasant or disagreea le, and even in very large works it may be possible by mutual agreement between managers and workpeople to regulate the time rates according to the circumstances of individual tasks. Again, the introduction of new machinery may mean either increased or decreased effort or responsibility according to its type. With increased attention paid to items such as the efficiency of individual machines, the state of repair of machinery, the amount and accessibility of material, it is possible to make adjustments in the time wage system. The most promising adjustment is a combination of the time and piece systems, known as Task Work or the Stint System, which is intermediate between time and piecework. By it the worker is given a certain amount of work per hour, day, week or month. He is paid on the time basis, but if he does not finish the prescribed task within a given time, a certain amount is deducted from his wages. The pure task work system that used to prevail in industry is not common now-a-days, but the principle of the task

work system is employed in industry, because the management has always at hand the instrument of dismissal which urges the worker to do his given task. Scientific Management provides means whereby individual performances and capacities may be calculated on which fair day wages may be reckoned, and it is possible that, with the new studies which Scientific Management has started, the time system may resume both its former popularity and utility.

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2. The Piece Work Wage

Piece work wages or piece rates, in theory, are fixed on the basis of work done, not on the time taken to do work. The employer pays for actual work done, or product, according to certain standards agreed upon between himself and workmen. Each job is 'priced,' and the operative receives the price when his job is satisfactorily finished. Normally, the price is fixed for a job of ordinary or average quality, performed under the ordinary conditions recognised in the trade or works. Once the price of the work is set, the employer theoretically is not concerned with the time taken on the job or with the worker or the distribution of the work among the workmen. He knows how much he has to pay for a piece of work, and when the work is done to his satisfaction, he pays. In practice, the employer has to be conversant with the details both of piece rates and of the works organisation, for the piece rates lead to many disputes and, of course, vitally affect the profits of the concern. To the workman, the price of a job and the distribution of the work is of most intimate importance. Piece rates, normally, are introduced into works after a period of time wages; and when a change from the one system to the other is proposed, the normal workman calculates how much he is likely to earn on the piece system per day or week, as compared with his previous earnings on a time basis. Not only will he calculate the amount he is likely to earn under the new system, but he will also debate with himself whether it will take more effort on his part to earn a 'decent' daily or weekly wage than was required previously. He will also take into consideration the distribution of the work, *e.g.*, if his particular

type of work depends partly or wholly on the joint efforts of himself and other workmen, he will reckon how far their effort or lack of effort will affect his earnings. In his calculations he will be guided by his conception of a fair wage on a time basis. He is not likely to accept the piece system if he is to get the same return for his work as he did under the time system, or if, for only a slightly improved wage, he has to expend much more energy. The employer, on his side, is not likely to grant a piece rate which, in his opinion, will seem to result in an excessive daily or weekly wage to the operative, as compared either with the previous time wage standard in his own works, or the current wages for the same or similar work in his own or similar industries. In all probability, to increase output the employer will endeavour to fix the piece rate so as to give higher wages per week for what he thinks an honest day's work. He will offer sufficient inducement to the men to change from the time rate to the piece rate, but no more. Each party to the piece contract is influenced by the old time rate. In theory, time and piece wages are independent: actually they are interdependent. In time wages, there is an implicit understanding on both sides that a certain amount of work must be done; in piece wages, both sides similarly recognise that the wages paid, measured on a daily or weekly basis, must be such as compare favourably with ordinary time wages.

In the transference from the time to the piece system, the most common method of fixing the latter is to take an average of output and time taken per job, measured over a period of a few months. Piece rates are fixed so as to give the workmen a better wage—either a quarter or half more than he earned under time rates. With the growth of scientific costing, there is a tendency for employers to depart very largely from the time basis in

fixing piece rates: the piece rates in such cases are settled according to certain scientific data ascertained after a detailed study of the operations involved in a job. Piece rates fixed in this way will, in all probability, far exceed the prevailing time rates or the piece rates current in other works where similar scientific observations are not made. The piece rate in such cases may seem to result in excessive wages, but such excessive wages may really mean cheap wages to the employer. High wages do not mean high costs: under the circumstances mentioned, they would mean low costs—for the high wages are assumed to be accompanied by a high output and reduced overhead charges.

In its most literal sense, piece work means so much per man per job. In its actual application it admits of all shades and varieties. One of its most common applications used to be—and in many countries still is—the contract system. By this system an employer gives so much to a contractor, or a sub-contractor, to do a certain piece of work. The contractor provides the men, and pays them on any system he cares. The employer has relations only with the contractor: it does not matter to him how the men are hired or paid, provided the work is completed according to contract. The employer provides the material and the price of the job: the contractor the labour. As a general practice the contract system is now out of use in the West; it is still common in India. Contract piece work was the principle of the once common 'butty' system in coal mining in England. The contractor ('butty') was paid a price per ton for getting coal out of a set seam or area. He engaged his workmen on a time basis, and the difference he himself kept as his own remuneration. It was in the contractor's interest to get every ounce of work out of the men. The butty system led to many abuses and it has not been

able to survive against the power of organised mine labour. Where it does exist the contractor has not the same power as he used to have over the pay of his men. 'Piece masters' used also to be common in some trades. 'Piece master' is another name for contractor, but the control of such intermediate employers in organised industries has now been tempered by collective agreements.

In many large industries at the present time there exist types of contract piece systems. Spinners still control their own piecers; in engineering works, charge-hands engage gangs or squads to do certain types of work; in dock labour, squads of labourers are engaged by contractors for specific jobs. In all these, and other cases, however, the power of contractors is limited either by definite agreements or by special supervision.

In many jobs capable of measurement on a piece work basis, the price can be calculated only collectively. The exact output of the individual worker cannot be gauged. In such cases some type of contract system is unavoidable, although there may not be an actual intermediate contractor. Either the whole body of workmen employed on the job may be paid a set sum on a piece basis, or some selected men (*e.g.*, the foremen) may be paid piece rates and the rest paid on time rates. In the dyeing industry in Yorkshire, definite tasks are performed by squads or 'sets' of workers of different sexes, ages and skill. These workers are rated on a time basis, but the work is assessed on a piece basis. The balance between the time and piece total rates is given to the workers in proportion to their time wages, and the hours worked. In shipbuilding yards, squads of rivetters include actual rivetters, holders-up and labourers. The first two are paid piece rates at a rate fixed by their unions; the last, who belong to a separate union, are paid on a time basis.

Collective piecework may be arranged among workers themselves, independent of employers. This is known as 'fellowship' piecework. By this system the works office pays all dues to the men in proportion to their time rates and the hours worked. The men then distribute the wages according to a pre-arranged plan of their own. As a rule only small bands of men in the same trade or shop adopt this method. In some shops, where the work is partly piece and partly time, the men agree to 'pool' the earnings at the end of each week. These, and similar systems, are more in the nature of friendly agreements than definite systems of payment. In some cases, the work is such that the earnings *must* be pooled, to secure fair payment. In work with many successive shifts (as in night and day work) or in work requiring different sets of workers in succession for separate processes, payment by results can be apportioned only by pooling.

Collective piecework has many other forms, but the principle of all is the same. The extent to which it is practised varies largely according to the trade union organisation of the industry concerned, and to the separation between skilled and unskilled workmen. Where there is a distinct separation between these classes, unskilled workmen are usually excluded from collective agreements. There is less likelihood of their exclusion where the distinction is not marked. In cases where the unskilled workers are given a time wage, there is distinct hardship, as the standard of the piece workers tends to be applied to them. They have to work at piece rate intensity to earn a time wage.

Ordinary piecework is fixed according to the output of the individual worker. An initial difficulty in starting piecework rates is the measurement of the output. In many cases it is easily calculated by recognised

measures of weight, length, breadth, etc. In highly standardised products, each product, though not measurable in such units, comes to have a recognised price in relation to the work done. In such cases the piece system is simple and easily applied. The employer knows to a fraction what the labour cost of each article is; the employee is sure of a wage which will repay his skill and energy. In a large number of products the processes are not so easily measured. Collective piecework to a certain extent may meet this difficulty, but where the payment is made on an individual basis, the time wage is sometimes brought in to supplement the piece wage. A minimum time rate is guaranteed, and the piece rates are fixed above this rate, usually by collective agreement. Even where no such time basis is actually stipulated, the employer is influenced by it in fixing his piece rate. Piece rates are fixed at a higher level than time rates. The percentage of increase is usually from 25 to 50 per cent. or "time and a quarter" and "time and a half." The actual rate fixed depends largely on collective bargaining. The trade unions usually press for a guaranteed minimum time wage with a piece rate as high as possible above it. The employer, on the other hand, always wishes to arrange his rates so as to encourage the maximum output, *i.e.*, to fix a piece rate only.

One of the obvious advantages of the piecework system is that payment is possible according to work done. We have already seen that the time system implies a certain amount of output, but the actual output of a worker under the time system is measured only in a very general way. The piecework system requires accurate measurement of the product. It sets a standard of judgment for the individual worker, who is paid according to his ability, which includes both his skill and his energy.

The skilful and quick worker is paid better than the unskilful or lazy worker. From this point of view the piece system may be said to be fair both to the employer and to the worker. The employer pays for what he gets and the worker gets pay for what he does. The time wage is useful for the easygoing workman who is satisfied to plod along with a living wage and to live as others in the same works live. The piece rate gives scope for individual energy and initiative. The average workman gets a living wage; the more than average man gets more than a living wage; the exceptional workman gets a very high wage, and the poor workman pays the penalty of his ignorance or laziness.

From the employer's standpoint, piece wages are advantageous because they encourage large output. In the United States it has been calculated that the normal increase on output where piece rates supplant time wages is about 25 per cent., and this figure may be taken to represent a fair average of increase for all industries in all countries. The actual increased output is not the only asset of the piece system. The cost price per unit of output is also reduced, for the overhead charges are less per unit in a system where work is done fast than in one where the output is spread over longer time.

Certain collateral advantages to both employer and workman may be claimed for the piece system. Not only does the direct incentive of the piece rate produce an increased output, but the workmen also contract the habit of concentration. This, of course, is far from an invariable rule; but that a direct reward for personal exertion does produce this result in a large number of cases there can be no doubt. Increased energy and concentration, again, may lead to reduced working hours and more opportunities for recreation and welfare activities, which in their turn increase efficiency. The piece system

also encourages both employer and workman to make workshop organisation as efficient as possible. Faultiness in material or tools, bad arrangement and disorganisation of supplies quickly lead to complaints from the workmen, for their earnings are reduced from such causes. The output likewise suffers, and employers are ready to remove all causes for such complaints. Piece rates thus tend to efficiency among both workers and management. Another collateral result must also be taken into account in favour of piece rates. Insomuch as his own energy and initiative are directly rewarded, the workman also becomes an organiser. He has to think for himself in order to get the maximum out of his time and effort. In a way it may be held that the extra earnings of piecework may be debited to expenses of management. In some cases, clever workmen invent new processes, and materially alter the whole organisation of the works.

This is one side of the picture. It would not be safe for any employer to go on the supposition that increased concentration leads to better work. It often does the opposite. One of the chief arguments against piece work is that it leads to hasty and careless work, or "scamping." Some workmen not unnaturally try to turn out their product as fast as possible, for the greater the heap of finished articles beside them the better is their pay. Quantity not quality is their chief aim. Scamping may be said to be more the result of a low moral standard among workmen than an inherent defect of the piecework system as such. But workmen are not all gods; in every works there is a number of men who wish to get as much as possible for as little as possible, and the existence of this type of workman increases the cost of production by necessitating a staff of supervisors and inspectors. Scamping is a complaint which is not so

common now as it was formerly. In theory, the cure of scamping is a higher ethical standard amongst workmen; in practice, the cure is supervision, inspection, reduction of rates and in extreme cases dismissal. Increased inspection means increased staff and expense, but, as against time work, it must be kept in mind that the time system requires foremen.

From the point of view of the workman, increased concentration is objectionable because it wears him down and reduces the earning capacity of his later years. The so-called 'speeding up' of piecework is largely offset by reduced hours, and even time-work has the disadvantage of the driving of the foreman. The old argument that piece workers tend to work during rest intervals is discounted by the fact that such intervals are usually made compulsory. Both factory legislation and economic considerations prevent workmen taxing their strength during off periods. Employers cannot afford to run expensive machinery for a few extra energetic men.

Workmen complain that inventiveness or initiative on their part often means reduction in rates. Both employers and workmen benefit from new processes, new inventions and improvements. The apportionment of the shares of such benefits is a very vexed question. It is obviously advisable to reward the individual inventor, and it is unfair to 'cut' rates when workmen invent new processes, although it may be necessary subsequently to revise rates in order to earn the benefit of the inventions or improvements for all concerned. It has been estimated that, under average conditions, about 88 per cent. of the benefit accruing from increased output goes to labour. Apportionment of benefit arising from new inventions introduced by the management is much easier than when the improvements are effected within the works by the

workmen themselves. Under such circumstances it often pays the management to give all the benefit to labour: otherwise labour is apt to question the good faith of the management both in fixing rates and in encouraging efficiency. Revision of rates after such inventions may nevertheless be necessary, and only a free and frank discussion with the workmen can settle satisfactorily the relative shares of gain or loss.

The fundamental difficulty of all systems of payment by results is the fixation of the basic rate. The first step in fixing this rate is the definition of a job to be done. Each job requires certain raw material, tools and machines, and much depends on the type of material and its supply, the kind and condition of the tools, and the quality and speed of the machines. The definition of the job is more complicated the further the product departs from purely standardised work or repetition work. It is also of considerable importance to the worker whether a a job is very short, short, long or a very long one. Under certain conditions short jobs are more remunerative; under other conditions long jobs may be preferred. Once the job is defined, the time in which the job should be done has to be settled. In short jobs, the time is usually fixed for a number of pieces, *e.g.*, four hours for 600 pieces; in longer jobs the time may be fixed as a unit after a reckoning is made of the aggregate of times required for the different parts of the job. Then the grade or type of labour required has to be decided. If the highest type of labour working under a previous time system is required, the weekly or daily wages of that grade of male labour will serve as a starting point for fixing the rate. If women are to be employed, the rate will probably be lower, as it will also be if a lower grade of male labour is necessary. Once these factors have been decided, the rates must be fixed in relation to 'piece intensity.' The worker must be given

a decided incentive to exercise his energy, skill and ingenuity, and the employer, recognising that the old time rate will not act as such, will grant 'time-and-a quarter' or 'time-and-a-half' as the basic rate. A few greedy employers, taking advantage of unorganised labour, may try to set lower standards and trust to 'driving' by foremen to increase the output. Such employers, fortunately for the piece system, are rare.

The piece rate is more often than not set in a very haphazard way. A common method of fixing the piece rate is to take the average of time and product for a period of some months under the time rate. This, as we have seen, often leads to slacking among time workers to ensure favourable terms. Scientific Management attempts to fix rates by elaborate examination of processes on a scientific basis, but this is relatively new and the principles have not yet been universally accepted, far less applied. It often happens that the piece rate is faultily determined and the employer may find it necessary to alter it. The records of his wages books may show that the men earn too much as compared with the time system or with similar workmen in other shops; or he may find his wages cost too high. He may even find his profits increasing disproportionately to wages, in which case he may raise the piece rate. Raising the rate is a simple matter; its leads to no dispeace. Trouble arises when he finds it necessary to lower, or as it is usually known, "cut" the rates. Rate "cutting" is the bane of piece work.

Much of the rate "cutting" is due to initial mistakes in fixing rates too high. This may arise from three causes—first, careless or unscientific examination of the jobs, second, the desire of the employer to encourage the men to change from time rates and to increase output at once; and third, pressure from the trade unions. It is immaterial from what cause the faulty

setting arises; subsequent alteration downwards leads to no end of trouble. Workmen are apt to call *all* alterations by the derogatory, even warlike, name of "cutting," but changes in rates are inevitable. "Cutting" applies usually to alterations which the workmen consider unjustifiable, which are arbitrarily carried out, without reference to workmen's organisations, or which are effected by evasions or tricks. Times come when rates must be *revised*. Revision is distinct from cutting, though some workmen look on all moves downward as cutting. Revision may be necessary because the original rates were set too high (or too low); or because new machinery or inventions have been introduced; or because trade conditions have changed for the worse. Piece rates, like wages generally, may have to move to suit changed conditions in industry as a whole or in the particular industry in which the change is effected. Trade union pressure may help to prevent a downward movement, but unions in themselves cannot keep wages at a level which is unprofitable to the employer. An economically false standard of wages cannot last for ever. It is self-destructive. The revision of rates is thus necessary to keep wages at an economically true standard. But workmen demand a fair and reasonable living wage at any time, and piece rates must not be revised or cut in such a way as to penalise the operative for his extra effort. When a good case for revision arises, the only satisfactory method is for the employer to take his men into his confidence. He must resort to nothing which they may interpret as underhand, but fully and freely explain his reasons and proposals Supporters of Scientific Management claim that by time study it is possible to safeguard rates against "cutting," but it cannot safeguard rates against revision. Given normal trade conditions, rate setting

by Scientific Management is probably the best safeguard against abuse, but Scientific Management does not preclude the necessity of employers discussing their difficulties and proposals with the representatives of their workmen.

Large employers of labour now generally recognise the evil effect on their workmen of rate "cutting." Not only does it dishearten the workers and destroy their morale; it also often leads to reprisals. A common form of reprisals is restriction of output, which, though it may injure the workmen, is calculated to injure the employer more. Slacking, or as the Americans call it, "soldiering" in piece work is mutually destructive and is used by workmen only in exigencies. Employees suffering from "cuts" usually refuse to revert to time rates, and time workers in the same works are apt to make it difficult for employers to set piece rates. Reprisals may take other and more insidious forms, and it is wise for both parties to avoid the causes. From the point of view of the national dividend, such friction of course is obviously wasteful, and it is in the national interest that, where workmen and employers fall out from the above causes, means should be devised to induce them to agree.

On the whole, trade unions are antagonistic to the piece system, and to its refinements, bonuses, premiums, and differential rates. Their antagonism is often more theoretical than actual: indeed, in some industries the piece rate system is enforced by the trade unions, as in the cotton trades. In some industries the unions themselves cannot agree on the issue of time *versus* piecework. The British furnishing, building and woodwork trades have consistently opposed piecework; in engineering and coal-mining, where the piece wage is common, the unions have said one thing at one time and another at another. They rarely interfere with the

piece rate in practice, though they may pass resolutions against it. It may be fairly said that, where labour is well organised, the piece wage does not lead to abuses, although it often produces irritation. Where it does lead to abuse is in the less organised trades, or, roughly, those now covered by the Trade Board Acts. These Acts have to a large extent eradicated sweating from such trades, and, with the disappearance of sweating, another of the arguments against piece rates falls to the ground.

From the trade union point of view, piecework is objectionable because it tends to break up the solidarity of labour. By differentiating between men, it tends to create disunion, as compared with the flat rate of the time system. This argument is somewhat theoretical, as piece rates tend to keep unions more active than time rates, even though there may be more varied interests represented in each union. To the employer one of the most pronounced advantages of piecework is that it enables him to reckon his labour expenses very accurately. Such reckoning is of much value when a manufacturer makes competitive quotations. The ease with which such costing is possible, however, varies considerably according to the type of work done and the piece rate involved. It is easy, for example, to reckon the cost of labour in processes where each workman is turning out so many units of easily measurable material. Where many piece rates and many processes involving piece rate pay are concerned, the costing is by no means so easy. With the development of more scientific methods of costing the old argument in favour of piecework is losing much of its ground. Many scientific cost accountants at the present day consider that it is easier to make cost accounts on a time basis than on a piece basis, especially where the piece basis is complicated by the interlinking of processes and systems.

From the above discussion it will be seen that piecework, like time work, has its good and bad points, its partisans and its enemies. That it is a useful method of remuneration, no one can deny. It is most easily introduced and applied with least friction where the output admits of easy measurement and the working conditions are reasonably stable. It is most economic when quantity of output, as distinct from quality, is required, or where the quality depends more on the machine than on the individual. The difficulties of the piece system begin when the product becomes complex, when individual care or craftsmanship is necessary, and when the work is spread over either a long period of time or a big number of men. Increasing scientific study of processes is tending to reduce the difficulties of piecework to a narrow radius. Time study enables the employer to set an accurate basic rate; fatigue tests enable him to avoid 'over-speeding' the workmen; and the general humanising of industry leads to the frank discussion of business difficulties between employers and workmen, the discussion which is the basis of mutual trust and industrial peace.

We now proceed to a short analysis of systems which attempt to combine the merits of both the time and piece systems.

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3. Premium Bonus Systems

The piece work system is the oldest and still the most common method of payment by results. It is also the simplest. From the point of view of the employer, it increases output and lessens cost of production. It enables the workman to gain a reward commensurate with his ability and effort. Other methods of payment by results have been devised, some of which are exceedingly complicated and require high skill on the part of the management both in their introduction and application, and a fairly high level of general education on the part of the worker. These methods are generally known as "Premium," "Bonus" or "Premium Bonus" systems, and the best known of these are the Halsey and Rowan systems. Both these systems have close connexions with what are known as Scientific Management systems, *viz.*, the Taylor differential piece rate, the Gantt Task-with-Bonus system, and the Emerson efficiency bonus. The Halsey and Rowan systems, in origin, were not connected with what is now known as Scientific Management, but they are most successful where some of the main conditions of Scientific Management are observed.

Premium bonus systems, like piece work, aim at payment by results in order to increase output and at the same time to reward the workman according to his energy and ability. The general principle of both the Halsey and Rowan systems is that a bonus is paid on the basis of time saved on the work done. As in piece work, a standard time is adopted for a given piece of work, and if the operative does the work in less than the time fixed, he gets a bonus in addition to the standard rate fixed for

the job. The bonus is reckoned in different ways according to the system adopted, but the basic principle is that the workman receives a percentage of the time saved on the job. It is obvious that in the premium bonus system, as in the piece system, it is of the utmost importance to fix an accurate standard time. The standard time, as defined by Sir William Rowan Thomson, is the "average time which the average workman—neither the quickest nor the slowest—takes to do the job under ordinary time-rate conditions, when giving a fair rate of output for his time wages—no more and no less." It is to be particularly noted that the rate is not that of the slowest or of the quickest worker, but that of the average worker. The premium or bonus paid is the amount in hours calculated on the time rate which the workman saves on his job. The workman is paid this bonus in addition to the time rate for the period he actually takes on the work. Thus the full wage is the rate for the actual hours taken plus the bonus rate calculated on the basis of the time saved. Adherents of the premium bonus systems claim that these allow a greater elasticity in the settlement of time allowance than is possible under ordinary piece work, that they are more easily installed and put into operation and that they are fairer both to the employer and to the workman. In particular, it is claimed (*e.g.*, by Sir William Rowan Thomson) that premium bonus systems offer much less temptation to the employer to "cut" rates than does piece work. They encourage the workman not only to increase his energy and care but also to do his best to economise time and method by every possible labour-saving device. The employer at the same time is encouraged to keep his shop in perfect order with a view to providing the best facilities in the way of equipment, tools and power to enable the workman to perform his work as quickly as possible.

The Halsey Premium System.

The Halsey Premium, often known simply as the Premium Bonus, was formulated by Mr. F. A. Halsey at a meeting of the American Society of Mechanical Engineers in 1891. Mr. Halsey had previously produced his system in the Rand Drill Company of Shirebrook, Canada. It was introduced into Great Britain in 1898 by Messrs. Weir of Cathcart, and is sometimes known as the Weir system. In the Halsey system a standard time is adopted for each piece of work, and whatever time the workman saves out of his standard time is divided between him and his employer in certain fixed proportions. If a worker completes his task under the specified time, he is thus given part of the time, whereas in straight piece work he is given the whole of the time, so that from the workman's point of view piece work is practically a 100% premium system. In the Halsey system, the part given to the workman varies according to the agreement in individual works. Mr. Halsey gave a third, Messrs. Weir a half. A characteristic feature of the premium bonus systems is that the workmen are guaranteed a time wage irrespective of their output, so that if an individual workman cannot complete his task within the basic time, which, as noted previously, is usually the average of the time taken under the time rate system, he is guaranteed the time wage. Thus in the premium system, the workman does not lose, whereas in the straight piece work system he does.

According to the Halsey system, if a job takes 8 hours and if the time rate for the job is Rs. 2 or As. 4 per hour, the worker who performs the task in exactly 8 hours will get the full rate, Rs. 2. If he does it in 6 hours, he will get the time rate for 6 hours (Rs. 1-8) plus the percentage agreed upon, say, half of the 2 hours saved,

i.e., As. 4. He will thus receive a total of Rs. 1-12-0 for his job at the rate of $4\frac{2}{3}$ annas per hour instead of 4 annas per hour, or Rs. 2 As. $5\frac{1}{2}$ per job, *i.e.*, $5\frac{1}{3}$ annas over the basic rate. If he takes 12 hours over the job, he will get wages at the rate of As. 4 per hour for the whole time taken, *i.e.*, Rs. 3-0-0. The Halsey system, like other premium systems to be examined presently, is an attempt to combine the merits of the time and piece rate systems of payment. The premium is calculated on each piece of work, so that if the workman fails in one job, he makes up or at least does not lose on another. According to Mr. Halsey's plan, the original shop conditions continue after the introduction of the premium system ; no elaborate reorganisation is necessary and the adoption of the plan may be both gradual and voluntary on the part of the workmen.

From the point of view of the worker the Halsey system has obvious advantages. It guarantees a time wage irrespective of output, whereas in ordinary piece work the slow worker or the unfortunate worker loses if he does not complete his job within the specified time. The workman paid on the Halsey plan need not worry about his daily wage, provided he preserves a standard of efficiency sufficient to prevent his expulsion from the works. The time wage is a living wage, but by his own efforts he can augment it without being driven by the foreman and without fear of starvation if his efforts fail. The chances of loss are minimised ; and the mental effect on the workman is distinctly good. If the standard is reasonably set, it may be assumed that if not at the beginning, at least in the course of time the workmen as a whole will attempt to increase their efforts so as to raise their standards of earning and comfort as nearly as possible to that of the best workmen. The system avoids the disabilities of the piece work

system insomuch as the men are not tempted to restrict output.

In practice, premium and efficiency systems alike have been accompanied by less cutting of rates than ordinary piece work. Any system which lessens the temptation of employers to cut rates is likely to command the confidence of workers, and the presence of such confidence removes the tendency to slacking so common in the simpler wage systems. As in all piece systems the Halsey system is faced with a real difficulty in fixing a standard time. In some cases, the quickest period in which the work has been done is taken as the basis: in other cases, the average of the quickest time taken either on straight piece work or on time wages, and in still other cases, the standard time has been fixed in excess, of the average time, *e.g.*, if 8 hours were the average time, 10 hours is fixed as the standard, so that the average workman can without effort earn 2 hours' bonus. The mental attitude which impels the employer to adopt any of the more complicated systems of wage payment, usually leads to increased efforts on the part of the employer as well on that of the workman. The employer aiming at efficiency recognises that it is in the interests both of himself and of his workmen to have his workshop arranged in such a way as to avoid waste of effort in using antiquated or damaged tools or in the bad arrangement of material, and waste of time owing to inattention to subsidiary processes such as bringing material to the workmen at the proper time and keeping the machines in perfect working order. Employers of this type are usually ready to exert every effort to help their workmen and their chief joy is not in keeping rates low, but in seeing the workmen earning high wages. Such employers as a rule recognise that high wages earned on an efficiency basis mean low working costs and,

therefore, better returns to themselves. The very mental stimulus behind the wage innovations actuates the employer not to cut rates.

There comes a time, of course, in every business when the question of rate revision must be raised. An employer may sink new capital by purchasing new machinery or utilising innovations. By his own efforts or by those of his manager he may effect great improvements in shop management, and he may justly claim a share of the increased returns due to his own efforts. Rate revision may be necessary and this can only be settled in consultation with the workmen concerned.

From the employer's point of view the Halsey system has been found to be very productive. It is fairly extensively used. It serves a useful purpose as an intermediary system between the time and the piece systems, and this is particularly true when new processes are involved. It has been found too that where there has been difficulty in fixing the standard time, experience gradually leads to a solution by itself. Employers have noted that while the work paid on the Halsey premium basis is not deliberately curtailed by the workman : yet as in piece work there is a tendency for workers deliberately to lengthen the time on processes which they think may sooner or later be brought within the premium system in order to get good time when terms conversion takes place. This, as is almost natural, is particularly the cases in works where the Halsey system is introduced by compartments.

Another benefit of the Halsey system, especially when compared with the more recondite efficiency systems, is that no elaborate time study is necessary in order to introduce it. Nor indeed is reorganisation of the works on any considerable scale necessary. The one essential of the Halsey system is the careful calculation

of previous times and the appointment and training of a new staff to keep the necessary records.

The chief difficulty of the Halsey system, as in all similar systems, is the difficulty of a good initial standard of work. Managers say that the standard is actually set by the men who can choose their own speed and direct their energies accordingly. The result is that the costs do not show the regular diminution which the theory of the system demands. As compared with the efficiency systems the Halsey system in this respect suffers insomuch as the time standard is neither definite nor accurate: but against this has to be set the ease with which it can be introduced and the absence of the trouble and anxiety connected with the stop watch systems of Scientific Management. It is also said that the Halsey system does not sufficiently take into account the varying ability of different workers. This may be said to be the besetting sin of all systems payable by results. Premium systems and efficiency systems are attempts to get away from this and, in theory at least, they are more reasonable than the older systems.

From the point of view of the workmen, the most unwelcome aspect of the Halsey premium bonus system is the share of the time that is given as the bonus. The workman is apt to argue that if he saves time he should get the whole, not part, of the time saved. In this respect of course the premium system compares unfavourably with simple piecework. The workman is apt to forget that the premium systems guarantee a time wage, which is undoubtedly one of the chief advantages. Nevertheless the workman, especially if he is irregular in his habits, is apt to harbour this grudge. Perhaps under the piece work system he may have paid little attention to time wages owing to the fact that he was always able to earn good wages without

any time guarantee. In initiating the Halsey system it is important for employers to fix the standard time carefully. If the new standard is such as will give only a small increase over the piece rate earnings for the same effort, the workman will have no appreciable benefit in accepting it. If 10 hours were adopted as the standard time for a job and the piece rate was fixed at As. 4 per hour, for 8 hours the piece rate would be Rs. 2. Under the Halsey system if the standard time were taken as the same (10 hours) and if the work were completed in 8 hours and the workman given half of the time saved or a 50% bonus, he would get 8 hours at As. 4 plus 50% of 2 hours at As. 4 per hour—a total of Rs. 2-4. This would be a clear gain in both money and time and it would at once appear to the ordinary workman that the premium bonus system was better than ordinary piece work. But the gain obviously depends on the basis adopted for the standard time rate. If it were very low, the workmen might not think it worth while to work for saved time, and the bad or indifferent workman would certainly not improve on standard time at all.

On the other hand, an employee might be tempted to argue that on the whole his gain was negligible. Of course, all the time he is guaranteed his piece rate—a fact which he is apt to overlook. But the psychological effect of such saved time is good. The workman argues to himself that he has more than average ability, that he can earn his money more easily than other workmen without increasing his output, and that he is getting an adequate return. From the employers' point of view the Halsey premium is said to be fair. The saved time is divided between the workmen and the management, which encourages both. The extent of the satisfaction of each of course depends on the proportion of the saved time which the two parties respectively receive.

Against this system it is said that there is a greater motive for slacking or, as the Americans say, 'soldiering,' than with simple piece work. The system is not based upon standardised conditions so that there is a certain amount of opportunity for slacking and the guarantee of minimum time rates always saves the lazy workman from the consequence of his actions. It is also clear that under this system workmen can, by special spurts, make up on one job what they lose on another or, in other words, make up in a short time what they have failed to gain by slacking over a longer tlme.

The Rowan Premium Bonus System.

The Rowan premium bonus system was introduced by the late Mr. James Rowan and Sir W. Rowan Thomson in their Marine Engineering Works in Glasgow in 1898. The Rowan system has many points in common with the Halsey system. The previous conditions of operation and management in the factory are left undisturbed: the standard time is based on experience of previous operations on a time basis; and bonus is paid to the operative on the basis of time saved on a given piece of work. In the Halsey system the workman is given a fixed percentage of the time saved. But in the Rowan system the workman is paid a percentage of the standard time rate according to the amount by which the standard time is reduced. Thus if the standard time is 8 hours according to the Rowan system a man who does the work in six hours, thus saving 2 hours or 25% of the standard time allowed, is paid a bonus of 25%. Thus for a Rs. 2 job he will get 6 hours' pay at the rate of As. 4 per hour or Rs. 1-8 plus 25% or As. 6, *i.e.*, a total of Rs. 1-14 or As. 5 per hour or Rs. 2-8 for the job. If

he saves 50% of the time allowed, he gets a 50% bonus, and so on. The Rowan bonus formula is :—

$$\frac{\text{Time taken} \times \text{Time saved}}{\text{Time allowed}} = \text{Bonus in hours.}$$

Time allowed = Time taken + Time saved.

Thus, the full formula is :—

$$\frac{\text{Time taken} \times \text{Time saved}}{\text{Time taken} + \text{Time saved}} = \text{Bonus in hours.}$$

The following memorandum of arrangements made by David Rowan & Co., with their Engine Shop workmen on 2nd February, 1898, will explain clearly both the principles and the practice of the system.

1. The time allowed for any job will be fixed by the Management, and will be, as near as can be ascertained, the time which should be taken on the job, when working on time.

2. The time allowed will include all the time necessary to procure tools, set up machine, and obtain material for doing the job.

3. For calculating the premium, the time taken on a job will include all working hours between the starting time of the job and the starting time of the next job.

4. A time allowance, after it has been established, will only be changed if the method or means of manufacture are changed.

5. The hourly rate of wages will, in all cases, be paid for the hours worked. If a man takes longer to do a job than the time allowed, this will in no way affect the premium which he may have made or may make on any other job.

6. Overtime, nightshift, and other allowances will be paid to the men on the same conditions as already prevail.

7. If an article turns out defective while being machined and is condemned, due to a flaw in the material,

the workman will receive no premium on that article (of course, he gets his time wages), but if he has several articles on the one "Line," and one of them is condemned, due to a flaw in the material, he will still get the premium, if earned, on the rest of the articles.

8. If a man's workmanship, when finished, does not pass inspection, he will receive no premium for the article, unless he can make the work good within the time allowed, in which case he will still receive any premium earned.

9. In cases of dispute, the matter will be referred to the management, whose decision shall be final.

10. Each workman after starting a job will receive a "Job Ticket" or "Line" on which he will find a description of his job, the time when started, and the time allowed, when the job is finished, he will return his "Line" to his foreman, who, if satisfied with the work, will initial and write on it the time when finished, which will be the starting time of the man's next job.

11. In the case of a job requiring the services of a squad of men, a time allowance will be fixed for the complete job. If the total time taken by the squad is less than the time allowed, a premium will be paid to each man in the squad. This premium will have the same relation to his time wages for the job as the time saved by the squad will have to the time allowed.

12. Fitting-Shop Apprentices in their first year are considered Boys and one-third of the time they spend on a job will be calculated against it for premium. The percentage thus found will be paid on the whole time which they spend on a job. Those in their second and third year will be considered Junior Apprentices, and one-half of the time they spend on a job will be calculated against it for premium. The percentage thus found will be paid on the whole time which they spend on the job.

Fitting-Shop Apprentices in their fourth and fifth year will be considered Senior Apprentices, and three-quarters of the time spent by them on a job will be calculated against it for premium. The percentage thus found will be paid on the whole time which they spend on the job.

13. Apprentices at machines will be allowed 25 per cent. more time on a job than a journeyman.

The above memorandum is taken from the "Rowan Premiun Bonus System" by Sir W. Rowan Thomson in which elaborate statistical comparisons are made between the Halsey system, the piece work system and the Rowan system.

The main point to note in the Rowan system is that the premium percentage is applied to the time actually worked and not to the time saved. The premium rate is added to the hours worked. Thus, if one quarter of the time is saved, time and a quarter is paid. If one and half of the time is saved, time and a half is paid. If three quarters of the time is saved, time and three quarters is paid and so on. The time rate, as in the Halsey system is guaranteed, so that if the workman exceeds the standard time of the performance of his job, he draws his time wage.

A comparison with the Halsey system shows that under the Rowan system the workman receives an added incentive in the earlier stages of time saving. This is an important consideration because only very exceptional workmen can save as much as 50% of the time allowed if the basic time is reasonably set, and in a normal works it is important to encourage men with average and not exceptional ability to save such time as they can. In this respect the Rowan system offers a better reward than the Halsey system on a 50% basis, although in the later stages the Rowan system offers smaller returns than

the Halsey. The employer using the Halsey system is thus safeguarded against errors in fixing the standard time, but, on the other hand, the smaller errors in fixing the time standard mean more loss to the employee under the Rowan than under the Halsey system, because the employee can earn better wages at the earlier stages of introduction. With the increasing setting of standard times by scientific methods such errors tend more and more to be discounted. On paper the Halsey system would seem to offer a much bigger price to the workmen owing to the big advance which it gives after a 50% saving of time, but in actual practice, times are usually so carefully set as to reduce the chances of disproportionate bonuses. By special spurts, individual workmen might be able to reduce the times under both the Halsey and Rowan systems by as much as 70% : but apart from the fact that such special spurts may be ultimately of little value either to the workmen or to the employer, the possibility of reducing time so much naturally leads to the conjecture that either the time standard has been erroneously set, or that the improvements introduced in the works have necessitated a revision of that standard. Like all other systems, the Rowan system must have to face the possibility of arguments between the employer and workmen as to the relative share which each is to receive from increased facilities in the workshop due to the efforts of the management. There is no royal road to the solution of this question. The ideal method, as Sir W. Rowan Thomson points out, would be first to ascertain how much saving was due to the workman's own unaided efforts and then to add what was due to the help and facilities provided by the employer. The difference between the resultant total saving and that part due to the workman would be the value of the employer's help and facilities in the hours

saved. Then the hours saved by the workman would be the workman's bonus, and those saved as the result of the efforts of the employer would, so to speak, be the bonus of the employer. This method, however, is impracticable and it would require an examination of personal qualities and statistical calculations which, when made, would, in all probability, fail to secure agreement between employer and employee. Such calculations can only be made with any reasonable degree of accuracy over a long period of years in which the factory conditions and personnel remain the same. Such permanence of conditions is not known. Changes in personnel, machinery and methods are being continually introduced, so that the employer is forced back on a more empirical method of assessing the shares due to improvement and due to his employees, for solution to this question must be a more or less arbitrary one, ultimately depending on good feeling prevailing between the employers and the employees. In this connection it must be kept in mind that employers who adopt the newer efficiency expedients are never likely to err on the side of meanness. In the case of disputed margins, the workmen are usually given the benefit of the doubt and a humane treatment of the workmen by the management makes them less disposed to question the proportions of distributions. The Rowan system, like all the newer systems, demands a high standard of intelligence on the part of the workmen and a careful explanation of the method to them by the management.

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4. Scientific Management

The systems of payment connected with Scientific Management differ in some important respects from those just described. A detailed study of Scientific Management lies outside the scope of the present bulletin, but, in order to explain the bearings of the systems of payment connected with it, some reference must be made to its fundamental principles. For a detailed study, the reader may be referred to the standard works on the subject, of which the following list is fairly representative:—

Dr. F. W. Taylor's ... *Shop Management* and *Principles of Scientific Management*;

Mr. H. L. Gantt's ... *Work, Wages and Profits*, and *Industrial Leadership*;

Mr. F. B. Gilbreth's ... *Motion Study* and *Fatigue Study*;

Dr. H. B. Drury's ... *History and Criticism of Scientific Management*;

Mr. R. F. Hoxie's ... *Scientific Management and Labour*; and

Mr. M. Maccillop's and A. D. Maccillop's. *Efficiency Methods.*

The literature on the subject is already comprehensive, and grows every year, especially in America, where the principles and methods are discussed month after month in many of the leading technical journals. A useful commentary on the movement, as well as an extensive

bibliography, will be found in Mr. C. B. Thompson's collection of papers, articles and addresses entitled 'Scientific Management' (1914).

The founder of the movement, which is known sometimes as the 'Taylor System' was Dr. F. W. Taylor. Dr. Taylor himself was a trained scientist, who at age of 22, became a machinist in the Midvale Steel Company of Philadelphia. After passing through the various grades of the workshops he was promoted foreman of the machine shop. His intimate knowledge of both the methods of work and of his fellow-workmen was of the highest value to him in his subsequent career. Close observation of his fellow-workmen convinced him that almost invariably they failed to produce more than about a third of what he considered to be a good day's work. He concluded that the workmen did not exert themselves to the full because the system under which they worked gave them no incentive to do so. In particular, the workmen in the Midvale Machine Shop, who were paid piece rates, were afraid to do their best lest the management should 'cut' the rates. Taylor, as foreman, was continually trying to make the men work faster, but the more he tried, the more determined were they not to increase their rate of work. This led him to devise a system whereby it would be possible for the workmen to work their maximum and at the same time not to be 'cut' for it. His first idea was to pay the men very high wages; but this in itself was not sufficient. If the men continued to work under the existing piece system, very high wages might materially affect the profits of the firm. What he wanted was, in his own words, "to secure the maximum prosperity for the employer, coupled with the maximum prosperity for each employee." He decided to work on a system which, while paying the workmen very high

wages, would result in lower labour costs for the management.

The first difficulty that Taylor had to surmount was the measurement of what constituted a good day's work. Under the existing system, there was no means for such measurement. A good day's work meant one thing to the management and another thing to the workman. Taylor proceeded to invent a means whereby a good day's work could be tested, irrespective of the desire of the management for greater output, or of the fear of the workmen that the piece rates might be cut. His experience had taught him two things. First, that, if a man is to do a good day's work, the conditions under which the work is done must be as perfect as possible. The machine must be in good order, the supply of materials properly arranged, the health of the man in good condition, and the position in which he works as comfortable as possible. Everything must be so arranged as to enable the workman to utilise his effort to the best possible advantage. Second, each piece of work can be divided into a number of single and simple operations. Each operation can be studied separately by scientific methods. The time taken can be recorded by a stop watch and careful records kept of each movement, or variety of movements. Fatigue tests may be taken, too, which show when workmen should work and when they should rest. In this way it is possible to decide the best method of performing each operation and the total number of operations, and to set the best possible or standard time for each "task." All these measurements and tests obviously must be performed by the management; hence science in management, as distinct from efficiency in the workman, is one of the essentials. Scientific Management is thus the application of what are the recognised methods of applied science to the industrial world.

With these main ideas, Dr. Taylor proceeded in his own scientific way to carry them into practice, with results which, it is not too much to say, astounded many of the industrialists of his day. His researches occupied many years, and with him was associated one or two others, whose names have since become well known. One of these, Mr. C. J. Barth, at the request of Dr. Taylor, constructed the slide-rule in order to solve certain problems in the art of cutting metals, problems on which Dr. Taylor himself spent many years of laborious research with excellent results; another, Mr. H. L. Gantt, devised the Task-with-Bonus system, a system of payment which has largely superseded the differential rate favoured by Dr. Taylor himself. Much of the detailed study connected with Scientific Management belongs really to the field of experimental psychology, and some of the leading industrialists are recognising more and more that experimental psychology and physiology are in future to be very useful to the factory manager.

Scientific Management alters both the organisation and methods of the old industrial system. The first big change it effects is in the conception of management, as distinct from the actual manual processes involved in doing work. This necessitates a reorganisation of office activities, the chief of which is the creation of a special planning department. This department is responsible for the investigation of the various processes and operations necessary for carrying out work. It sees to the provision of all material and tools, their proper arrangement and their transport into the works and within the works. That there is no delay in the supply of material, and that it is placed in the proper position for manipulation by the individual operatives is also its concern. It plans and controls the progress of work, watches

its development from step to step, and reports whether the time-table is being kept. It is responsible also for the inspection of the finished article. Every machine and every man is assigned its or his work from day to day, and a record is kept of every process. To the planning department is also assigned the duty of giving detailed instructions concerning the methods of the individual operations. Instructions cannot be issued without detailed scientific investigation of the type of work to be done and the methods by which it has to be done, so that the burden of practically the whole prior organisation of every task and process, before it is ultimately given over to the individual workman to complete, falls on the planning department.

The organisation of planning departments need not concern us here. They vary according to the type of works involved—whether they are small or large: whether they produce many or a few products; whether the products are standardised or not. It is obvious that in a small works the planning department may be only a part of one man's work; it may only nominally be a department, but Scientific Management demands the separation of the function of planning from the function of performing. In large works where the products are many, and the methods of work also many, the planning department may be a very large one; but in a large works, where the product is uniform or standardised, the work of planning may be simple. The work of the planning department is naturally heavier when a concern has just introduced, or decided to introduce the principles of Scientific Management. Once Scientific Management is introduced, the work of planning becomes less and less as time goes on. The planning department, however, must constantly be searching about for improved methods and better organisation, and to this

end it must constantly be conducting enquiries concerning new methods by means of time-study, fatigue-study, improvements in tools and organisation.

Closely connected with the planning department is the costing department, which is also a feature of modern plants which have installed Scientific Management. The costing department, of course, is also characteristic of many firms which do not nominally work on the principles of Scientific Management, but in scientifically managed firms the costing department becomes a speciality of specialities. Every process is specified in the greatest detail, every item required in the work is definitely set down—men, times, dates—so that the progress of the work can be detailed with accuracy, which is of much value in estimating and in fixing prices. The planning and costing departments are closely related, for the cost accountants work on material supplied by the planners, and the planners learn their mistakes from the reports of the accountants. The cost accounts show losses, leakage and wastage in methods, and possible sources of economy in the use of material. Cost-accounting also gives an accurate record of individual work, both by men and by machines, and enables the management to see what products, or what lines of products, are most profitable.

The functions of foremen are materially altered by Scientific Management. The foreman of the old industrial system, Dr. Taylor held, was a much harassed man. He not only superintended the work of his gang; he also planned the work beforehand and had to devise means to finish it as quickly as possible. His functions according to Dr. Taylor could be subdivided into eight; in other words, for one functionary under the old system eight were necessary under the new. It may be remarked that Dr. Taylor's scheme has not been generally accepted,

but his meticulous subdivision of functions is an excellent example of the application of scientific method to workshop organisation. Of the eight foremen, about three of them, according to Dr. Taylor, should work in the planning department and be responsible for writing out directions and forms for the individual workman. Of the remainder, four should work in the shop among the machines. To the eighth he ascribed a general function of wandering round the establishment and seeing that things were in order. The functions of the first three men, according to Taylor, were—for the first, to prepare daily charts, detailing the work of the machines and the men according to the orders and plans of the head of the planning department; for the second, to issue instructions to the workman, *e. g.*, the tools to be used, the speed of the machine and the time for each operation; for the third, to issue the time-tickets and collect information regarding the time taken for each process, in order to calculate the earnings of the individual. This is more a theoretical than an actual division of functions, for so many functionaries would be superfluous save in a very large works such as the Midvale plant, which could afford, and required, the whole of this staff. To the foremen in the shops, Taylor also ascribed individual duties. To one was given the preparation of the work up to the time that the piece was set in the machinery. This man had to collect the tools for the workmen, see that the materials were ready, and give directions to each man. This man, whom Taylor called the 'gang boss,' had to direct the workmen and wait on the workmen. Another foreman, the 'speed boss,' was to be given charge of the process when the work was actually in the machine. This man had to see to the correct speed of the machine—this speed is carefully tested according to the experience of the process and of the individual machine—and it was

his duty to see that the work was done as quickly as possible. He had to show the workmen how the best speed could be attained, and in case of necessity, to take over the process himself and teach the operative how to do it. Another of the foremen had to inspect the finished work; and still another, called the 'repair' boss had to look after the machinery and say when it had to go out of use. To this man Dr. Taylor also assigned the duty of looking after connecting belts, a function which, after careful research in the subject, he was convinced repaid the care devoted to them. The eighth foreman of Dr. Taylor's list was the discipline foreman. It was his duty to see to the enforcement of rules, the collection of fines and the general peace and order of the works.

Standardisation is a marked feature of Scientific Management. The word 'standard' does not mean what it meant in the old system, in which standardisation aimed at quantity production, at the definition of exact sizes, weights and exact similarity in products. Such standardisation was useful both for mass production and for cost accounting, but the Taylorian standard is standardisation of equipment and methods. Every operation, method and time is measured in order to achieve the best or ideal method; both quantity and quality are taken into account. The standard of Scientific Management is thus the equivalent of the best at the time it is set. Standardisation applies to every department of a works, from management downwards Material, tools, machines, instruction cards, 'tasks,' office procedure are all standardised. Such standardisation in an office leads to elaborate schemes of classification. In larger works the same scheme of classification is used throughout the whole works, and in the course of time each function comes to be known by a mnemonic symbol or figures.

The scientific study of each task and of each workman is a feature of Scientific Management, and has led to two new lines of development in industry, both of which require specially trained investigators and special apparatus. The first of these is time-study and motion-study. An American writer, Mr. H. K. Hathaway, says that it would be almost as difficult for modern chemistry to exist without quantitative analysis as for Scientific Management to exist without time-study. It is essential in order to determine the standard or schedule time for each task, which in its turn is the basis for the remuneration of the worker. For time-study specially trained investigators are necessary, and these make large numbers of observations on individual workmen. The process of observation requires the greatest care, for not every workman likes to have, as they themselves express it, the "stop-watch put on to him." The workman who is being observed must be carefully selected, and he is usually paid at a special rate during the taking of observations. Once a sufficient number of observations has been taken, the observer collates his results and decides what should be the standard time for the task. This time is fixed not only after repeated time observations, but after experiments in the actual processes. Motion-study involves the analysis of each element in an individual piece of work. The observer makes all sorts of experiments in order to determine what is the easiest method for doing each operation. He varies and tests the position of the workman, the position of the material, the position and type of the tools, the lighting of the workshop, and so on. For such observations and experiments, special instruments have been invented, and in the course of time each operation and each process will be reduced to a standard in respect both to time and to method.

The second study is fatigue. In this subject the investigator in Scientific Management joins hands with the physiologist. All sorts of observations and experiments have been made with a view to eliminating unnecessary sources of fatigue. After elaborate tests, the standard alterations of work and rest are decided on, and this naturally leads to what is now generally known as welfare work.

The Differential Piece-Rate

The above short description of the salient features of Scientific Management may now be supplemented by a short note on the systems of remuneration usually connected with it. Dr. Taylor was interested mainly in the basic principle of a scientifically trained management; he did not pay the same attention to the actual methods of paying wages. One system he did devise—the Differential Piece-Rate—but it has been largely supplanted by the later system devised by Mr. Gantt, known as the Task-with-Bonus.

The differential piece rate is one of the most rigorous of all systems of payment by results. Its rigour, however, is tempered by liberality, for, other things being equal, it undoubtedly offers the highest wage return of all systems to the efficient worker. In the differential piece system, the rates are varied according to the amount and quality of output. A standard of output is adopted as a basis of calculation; and this standard is the norm from which the scales are graduated. The piece rates for output above this standard are graduated upwards. For output above the standard the workman is doubly rewarded: he gets the higher wage due for the higher output, and the wage is calculated on a higher scale. The scale may be so graduated as to offer a very big incentive to reach a very high output. On the other hand, if a workman produces less than the standard output, he loses doubly—he gets less wages for his output and

the wages are calculated on a smaller scale. In some cases, however, a minimum time wage is guaranteed to save workers from the full logical application of the descending scale, for otherwise the differential piece rate could be successfully applied only in works where all workmen were of a high grade of efficiency. The system provides an excellent index of efficiency. It pays excellence and punishes failure. The wage charts show the quality of workmen; they differentiate between standard and subnormal workmen; they also show variations in performance among the best workmen, indicating causes of falling off which may be connected with defects in machinery, trouble with foremen, quarrels among the men, or the moral and physical deterioration of the individual workmen themselves.

The differential piece system is valuable for securing reduction in the costs per unit in the process of manufacture. The very high rates at the top of the scales thus doubly compensate the employer. He gains in output and lessens overhead charges. This is especially important where expensive machinery is used. Such machinery as a rule can be justified only if the owner can get the maximum out of it, and the differential system is a means to extract the full capacity from both workman and machine.

The principle of the differential rate can be applied to quality or time as well as to output. Scales may be graduated in such a way as to secure the output the employer wishes, and special rates may be drawn up for quality and accuracy. The differential rate can also be usefully applied to the prevention of waste, especially where raw material is valuable. It is also possible to apply the differential rate to collective work. Where operations cannot be classified singly, a group rate may be fixed for a series of functions. The distribution of the rate is governed by scientific principles, the main

result of which is, as in the individual differential system, the survival of the fittest. If a squad of workers is engaged on a piece of work on a differential rate, it is obviously in their interest to work as quickly and efficiently as possible. The slower and less useful members are thus urged on to maximum effort, and if that effort is not good enough, they are likely to be dismissed from the squad.

From the workman's point of view, the differential piece rate is a mixed blessing. It pays the specially efficient man, and pays him well, but unfortunately the specially efficient man is the exception rather than the rule. The system is thus self-limited in its application. It operates so as practically to compel bad workmen to leave the works, for the pay earnable in the lower grades is not sufficient to be a living wage. There is no need to dismiss the poorer grade man; he must leave to earn his bread. Given a staff of extra efficient men, the differential rate is quite satisfactory, provided the basic task is not fixed so as to overtax the men. This contingency is or should be guarded against by the management when fixing the tasks, but the management may fail in its duty. Dr. Taylor meant the task to be rigorous, but errors on the side of rigour may bear hardly on the workmen, for no time wage is guaranteed, and failure is heavily punished. Workmen who succeed are well rewarded--Dr. Taylor's view was that the incentive to performance of the task should be substantial—both in money and in self-respect, for they may well claim to be experts in their trade. From the workman's point of view, too, the clear differentiation of function between management and operation relieves him of much responsibility. At the same time the management must be worthy of the workmen's trust, for on its excellence depend the results of his efforts.

The differential rate may be applied only in certain sections of a works, and there it may be made the summit

of the good worker's ambition. It thus implies the necessity of training the operatives,—a usual accompaniment of Scientific Management. In practice, the differential piece rate is most easily and satisfactorily applied to repetition work. It is applicable to, but not so effective in, repair work, new work, or work requiring more than usual planning. From the point of view of the employer, its justification lies in securing a greater output for the same or nearly the same overhead charges as in ordinary piecework. On the whole, it is too specialised a system to be of real utility to industry as a whole.

The Task-with-Bonus System.

Mr. Gantt's Task-with-Bonus system has found more favour than Dr. Taylor's differential piece rate. The task-with-bonus system was originally contrived as a sort of preparatory method; it was thought to be suitable to conditions which, though not ready for the full application of the differential rate, in the course of time would so develop as to allow of its application. The task-with-bonus system, however, has been so much and so successfully used, that it has largely lost its original transitional nature. It is now a system by itself.

The task-with-bonus system has a time basis. A time rate is fixed for each piece of work, and this rate is guaranteed to the worker irrespective of performance. The conditions under which the work is to be done are stringent, and for the satisfactory completion of the work a bonus is given. This bonus is a percentage of the time wage, *e.g.*, if eight hours is allotted to a job at eight annas per hour, the pay for the proper performance of the job in the eight hours would be four rupees plus a percentage of four rupees—say, fifty per cent.—in all six rupees. The percentage is not fixed. It is graduated according to the type of work and the

amount of skill, exertion, concentration, etc., required for its performance. In Mr. Gantt's system about 40 per cent. bonus was given for work requiring average exertion, done under average or normal conditions. Where special exertion was required, the bonus given was 50 to 60 per cent. In some cases, especially those requiring very specialised and expensive machinery, or those requiring very special physical or mental concentration, the bonus was from 80 to the full 100 per cent.

The original time rate and conditions of work are fixed according to the principles of Scientific Management. The actual operation of the system is also accompanied by the other scientific processes for guiding workmen. Each workman is daily kept fully informed of the results of his work. As he joins his work each day, he gets a return showing the amount earned the previous day, with a careful analysis of his shortcomings if his bonus has not been earned. If the workman fails to do the prescribed task, he is paid his time rate only; but the manager may exercise his discretion in relaxing the rules, provided the basic principle of the system is not violated. Thus a workman, though not actually completing his task, may do some parts of his task so well as to merit a modified bonus. The system, like the differential piece rate, is best suited for good workmen: but it has the saving grace of guaranteeing time rates to learners and under-standard men.

Although the task-with-bonus is primarily a time system, it is convertible into a piece work system by giving the employee a bonus for a fixed amount of output, with increases to relative increase of output, *i. e.*, the task-with-bonus system, on a piece basis, becomes a differential piece system.

As already explained, the task-with-bonus system was devised as an earlier application of the full differential piece rate. The differential rate is much too

severe on all save the most efficient and skilled workmen. The task-with-bonus system makes fairer provision for learners. The learner is guaranteed a time wage, so that however far short he falls of the standard he is sure of his wage at a guaranteed rate. It is also open to the management to give special bonuses to learners even though they are not up to standard. They may be compensated for special efforts or unusual promise. Although the actual performance of work in the given time is the essence of the system, it is elastic enough to admit of special applications of this sort, though, once the learning period is over, it is apt to be as intolerant of under-standard men as the Taylor system.

In practice, the system is usually accompanied by high grade instruction, a matter of some importance, as the stringent conditions of the task to be performed imply the most complete adaptations of skill, material and organisation. The most efficient men must be chosen as instructors: in fact their posts are 'prizes' for those who regularly can make the highest bonuses. Once the proper instruction is given, and a reasonable period of probation allowed for both instruction and practice, the ground is prepared for the full application of the differential piece rate. The guarantee of a time wage is the chief merit of the Gantt system, and it is capable of further expansion by differentiating downwards, *i. e.*, a distinction might be made between different degrees of failure to reach the standard, both in the probation and after-probation periods.

The Emerson Efficiency Bonus.

The Emerson Efficiency Bonus was devised by Mr. Harrington Emerson, the well known writer on Scientific Management. His system has many points in common with those of Taylor and Gantt. It presupposes the conditions of a scientifically managed workshop. Tasks

are fixed as the result of time study, and shop conditions are standardised. But the task set is not so rigorous as in the Gantt task system. It is such as can be performed by a workman of good, not exceptional, ability. The Emerson bonus starts from what is termed the 100 per cent. efficiency standard, which means the accomplishment of the set task in the standard time allowed. For the attainment of "100 per cent. efficieney" the workman is paid a bonus, which normally is 20 per cent. of the time wage. In terms of hours the performance of a job within the stipulated 10 hours would be paid at the rate of the hour rate for 10 hours, plus 20 per cent. or 12 hours in all. Every worker cannot be expected to be "100 per cent efficient," so the bonus scale is graduated to encourage less efficient workmen. The bonus scale starts at $66\frac{2}{3}$ per cent. efficiency. Below that the worker is guaranteed time wages, irrespective of performance. At $66\frac{2}{3}$ per cent. efficiency the reward offered is relatively small. The bonus at 69 per cent. is only 0·1 per cent; at 80 per cent. efficiency it is 3·3 per cent., but from 90 per cent. to 100 per cent. the bonus rises from 10 per cent. by 1 per cent. per each unit of increase in efficiency to 20 per cent. for 100 per cent. efficiency. This one per cent. increases for men above the 100 per cent. efficiency standard, *e.g.*, a 110 per cent. efficiency man is paid the task wage plus 30 per cent. bonus.

The system seems rather complicated, but it simply means that the efficiency of the workmen is the ratio between the standard hours of his task and the actual number of hours he takes to do it. Thus if the standard time of a job is 100 hours and the man takes 120 hours to do it, his efficiency is $\frac{100}{120}$ or $83\frac{2}{3}$ per cent.; if he takes only 80 hours to do it, his efficiency is $\frac{100}{80}$ or 125 per cent.

The Emerson system may be introduced gradually, the transition from the time to the piece task being introduced

as the individual workmen show improvement. In practice it has been used in railway repair shops, and it is more adaptable than the other efficiency systems to shops where standardisation of the rigid type demanded by Scientific Management is difficult. As compared with the task-with-bonus system, it is more suited to the average factory which has to work with a number of average or under-average men. The stimulus offered by the system is attainable by men of different degrees of activity and energy. In the Gantt system only the most skilled workmen are kept; in the Emerson system 80 per cent. efficiency is accepted as a standard of good performance, and workmen who cannot attain it are transferred to jobs for which they are more fitted.

The Emerson bonus, in principle, offers a relatively easy method of changing from the time rate to the piece rate. The men are paid time wages, and are encouraged to increase efficiency by the added stimulus. As compared with the Gantt system, too, the scheme is more humane. It is more suitable for an average works, and exercises a good influence on the general mentality of the men. The discrimination between different grades of ability is not too marked, while the stimulus is worth the response in effort. The gradual rise in the bonus scale, too, makes the initial time of the task of less importance than in a scheme where a given degree of performance gives a big jump in the bonus earned. In practice efficiency is reckoned not by a job, but over a period usually from two weeks to a month, and mistakes in the fixing of times, or sets of times, tend to balance each other. It may occur that in a long job involving many processes, each capable of individual measurement, standard times may have to be fixed for the individual operations as well as the full job, and the bonus reckoned for individual jobs offset by the lost time on other jobs.

The Emerson bonus may be applied not only to given jobs, but to subsidiary work, the proper performance of which is essential for prompt work. Train drivers, oilers, stokers, and many other types of workmen can help in the general efficiency, and it is possible to pay these a bonus based on the efficiency of the whole shop. Storekeepers, inspectors, and other grades of workmen can also be brought into the system. It has been used to expedite the completion of work by a given date (as in railway repairs), and it is possible to apply it to railway engine drivers, stokers and guards, when the bonus is given for punctuality in running to time-table and economy in use of fuel. Like other efficiency systems, the Emerson bonus requires scientific organisation throughout the works, and one of its distinctive advantages is that every process and every grade of workmen can be brought within it. Experience shows that it lessens cost, discourages delays and waste, and encourages co-operation in the works to secure these ends.

From the point of view of the employee, the Emerson bonus gives a feeling of security, for in addition to a guaranteed time wage, he can earn his bonus without being extra-efficient. The moderate workman feels that he is encouraged to improve, and the management finds it pays to train the men to reach the highest standard.

The Emerson system, like all piece systems cannot continue indefinitely on one initial rate. Efficiency systems are far less open to the charge of "cutting" prices than piece work, but conditions must arise when, owing to new inventions or improved organisation, the rates must be revised. Such revision always raises the question of the relative shares of gains due to improvements which should go to labour and capital. This is a fundamental question which no automatic scale will solve. It must ultimately be settled by mutual arrangement and good will.

The Emerson system is capable of adaptation or variation according to individual ideas, *e. g.*, the 100 per cent. efficiency standard may be rewarded by a 30 per cent. instead of a 20 per cent. bonus, thus giving a bigger reward for the standard job. The figures at the lower end may also be improved to encourage learners or men who consistently fail to rise to the higher flights.

It is also recognised that all efficiency systems breed in the workmen intense interest in their work. It follows that the men should be regularly shown the result of their efforts, in regard both to performance and to wages earned. The principles of the system on which they work should also be clearly explained to them. These are the functions of the management.

Like all new movements, Scientific Management has been enthusiastically acclaimed and bitterly opposed. The number of scientific plants in the United States is now considerable, but so far industry as a whole looks upon the movement more with suspicious tolerance than with definite favour. Its supporters claim advantages on all sides—decreased cost and increased output for the employer (so much as 200 per cent. increased output has been declared to be the result of Scientific Management), and increased wages and better working conditions for the workmen. Were advantages so marked and so invariable as its adherents profess, it is difficult to see why any industrial concern of the modern world still sticks to the old scheme of things.

The theory of Scientific Management undoubtedly offers some salient advantages. The application of scientific methods to industry, which, it may be noted, the opponents of Scientific Management claim is much older than Scientific Management itself, is undoubtedly useful to a concern if it can be proved to give a prior knowledge of costs, better than that produced by any other system. On the other hand, it is claimed that

cost-accounting under the old systems of management can do this; so that were this the only benefit which Scientific Management could produce, it would not pay an employer for the trouble and dislocation due to its introduction. Scientific Management, of course, claims to get at the root of things more than other systems: it starts from fundamentals and is an organised system, as contrasted with the haphazard methods previously prevalent; cost-accounting under these conditions must necessarily be more exact. In practice, it is stated that Scientific Management not only increases output but improves quality: in other words, it achieves the end of all piece rates of wages without the disadvantage of other piece wage systems, namely, that quantity is of more value than quality. It seems undoubtedly true that in plants worked under Scientific Management, the standardisation of the tasks and the close inspection which accompanies the standardisation certainly increases the quality of output. On the other hand, it has to be borne in mind that Scientific Management as a system is suited to the efficient workmen, and it may be because these plants are worked only by high quality workmen that the work is of a very good quality. It is easy to argue that all work is good in a factory where all workmen are good. Unfortunately the world has not yet experience of scientifically managed plants in which the grade of labour is not high. Were Scientific Management to become world-wide, this contingency would have sooner or later to be met.

It is also claimed that Scientific Management is a great improvement on the old system because of its clear distinction between management and operatives. To the management is given the duty of planning; to the operatives, of performing. It may be contended with justice that as the brain of the management is as a rule on a higher level than that of the operatives, it

is more economical for the higher grade men to do higher grade work. Under the old system, a good deal of management was left to the operative himself; and it may be said that he is better employed in actually performing his routine task set out for him according to a more scientific plan. The existence of the planning department may, with truth, be said to prevent a great deal of the loss of both effort and material characteristic of other systems.

From the workmen's point of view, the benefit of Scientific Management may be summed up in one word—more wages. If the rates are properly set, the efficient workman is highly rewarded, and this no doubt means better relations between the management and the operatives so long as the wage is high and the system of wage fixing satisfactory. But it cannot be contended that the wage system is satisfactory except for high grade workmen. Most scientifically managed plants arrange for intensive courses of training for apprentices, but even with such training Scientific Management has little use for the lower type of workmen. The existence of the lower grade men in a scientifically managed works would invariably lead to confusion and dissatisfaction. From the point of view of industrial peace, therefore, Scientific Management is beneficial only where high grade workmen are employed. For such workmen, of course, Scientific Management means not only high wages with shorter hours, but more opportunities for recreation. It is in the interests of the management to see that the workmen's health and living conditions are the best possible, for Scientific Management, above all things, requires a healthy body. From the workman's point of view, too, there is a certain satisfaction in the knowledge that they earn high grade wages for high grade skill: such a knowledge increases the workman's self-respect, and undoubtedly affects his whole mental outlook.

It is also claimed for Scientific Management that with the increased care and inspection, break-downs and accidents happen less frequently—a claim which obviously has a solid foundation.

These claims are by no means universally admitted. Many employers argue that although output may be increased, overhead charges are also enormously enhanced. Scientific Management means an enlargement of the most highly paid staff, *viz.* management. Often the increase is considerable and it depends largely on the size of the factory and the type of the work, whether the ratio in the increase in overhead charges is offset by the increased output. Some employers, while admitting that on the whole working costs are reduced by Scientific Management, argue that this is true only in times of prosperity. In times of depression, workmen can be dismissed ; but the permanent staff, often of a very specialised nature, of the planning department must be retained On the whole it may be possible that the gains in times of prosperity may enable the manufacturer to bear the losses of stagnant trade periods : only analysis of individual instances can satisfactorily settle this question. Some employers have also argued that Scientific Management does not easily permit of sudden changes in a workshop, to which the supporter of Scientific Management would answer that it is the function of the management to be prepared at all times for such changes. Unfortunately for the supporters of Scientific Management, some unscrupulous firms have introduced spurious systems of Scientific Management in order to take a temporary advantage of their labour, while other firms, with good intentions of introducing Scientific Management have not succeeded owing to their failure to secure the proper men to introduce it. Some concerns have made only half-hearted attempts to introduce it : they have tried to preserve the best features of the old system and

to engraft on them the best features of Scientific Management, and have failed in the attempt. Others again have introduced this system too rapidly. Convinced by examples personally seen or by the theories of Dr. Taylor and others, some hasty converts have tried to introduce Scientific Management without due respect to old conventions and habits. These failures have been debited to the account of Scientific Management as a whole.

From the above few remarks it will be seen that the chief claim of Scientific Management from the employer's point of view, *viz.*, the increase of output and the reduction of working costs, has not been completely proved. From the workman's point of view, the objections are many—so many indeed that it is not improbable that they may completely bar the way to substantial progress. Trade unions object to Scientific Management on the same general grounds as they object to piece rates as a whole. Differentiation among the workmen breaks up the solidarity of the working classes ; it takes the men away from the unions and destroys their chief weapon, collective bargaining : it also increases efficiency and with it output and, according to the logic of many trade unionists, increases unemployment. The individual workman, the trade unions also contend, is forced to work at a speed which is unreasonable and which is bad for his physical health. The answer to this objection has already been given—*viz.*, that Scientific Management gives higher wages, and that the additional concentration required is balanced by the requisite rest periods, shorter hours and welfare work. Another and a more vital argument against the system is that the workman is reduced to the status of a machine. In Dr. Taylor's well-known example of shovelling pig iron, he states that the type of man most suited to this experiment is the non-thinking bovine type—the man with muscular strength and little brain. Scientific Management, by

taking away the initiative from the workman, undoubtedly narrows down the field of thinking on the part of the individual workman, and to this the workman decidedly objects, however unjustifiable his objections may be in scientific theory. Workmen object merely to carry out instructions and to work according to a fixed routine as rigidly as the piston of an engine. They also contend that the system is a system for gods and not for men. There is no room for the weakling or the under-average man, perhaps not even for the average man. Scientific Management is a scheme for experts and, in spite of the remuneration, it is the expert workman who objects most to being cribbed and confined to the narrow routine which Scientific Management prescribes for him. This is the supreme argument against Scientific Management. It does not take into account the personal and individual factor in the performance of manual work, and this difficulty must be surmounted before Scientific Management can overcome the objections of trade unions. On the fundamental issues involved in Scientific Management, this is not the place to make remarks, but it can reasonably be doubted whether scientific time-study, motion-study and fatigue-study can really satisfactorily determine the conditions of work for individual workmen. It is possible that the enquiries which have been prosecuted so far are on the right lines, but much has to be achieved before standards can be absolutely settled. Here again there is the fundamental difficulty of applying to moral entities laws which may be regarded as invariable in the physical or chemical world, or even in the lower animal world.

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5. Other Systems.

Within the limits of the present book it is impossible to describe every variation and combination of the time and piece systems. Some notice may, however, be taken of three further schemes—the Cost Premium, Sliding Scales, and the recent Priestman experiment. The last dovetails into the second part of our subject—Profit-Sharing and Co-partnership.

The Cost Premium.

The Cost Premium bears certain analogies both to sliding scales and to profit-sharing. It is not extensively used, and, although in practice it is usually added to a time system of payment, it is adaptable to piecework. The object of the Cost Premium is to encourage care in the use of plant and of raw material, and to discourage waste: in a word, it aims at economical production. The Cost Premium is not easy to work, and its construction involves a number of difficult economic principles. The general idea of the system is that a standard cost price is adopted for a given product. This cost price includes the cost of raw material, wages and general working expenses. Usually, in order to avoid fluctuations, the raw material is taken at a fixed price approximate to that quoted at the time of the fixation of the basis. This is an initial difficulty of the system, as the price of raw material varies, particularly at times such as the present when price movements are both rapid and uncertain Continual variation of the price of material makes calculation difficult and tends to throw the whole system out of gear. Normally a fairly liberal cost price is accepted as a basis: to this is added the other expenses; and any saving effected forms a bonus fund for the employees. For instance, if Rs. 100 per ton is accepted as the cost basis, and the price of

production is reduced to Rs. 90, the ten rupees difference goes to the bonus fund. The division of the bonus among the employees is another difficulty. The simplest plan is to divide it in proportion to the wages received. Sometimes foremen and specially efficient men are given special rates, but differentiation of this kind tends to create dissatisfaction in a works. In some cases, the bonus is divided over both wage earners and salary earners on the principle that the management has equal responsibilities with the workmen in reducing costs. Here again an element of discord may be introduced, as the workman is often illogically inclined to argue that the higher paid employees should not partake of a fund which in origin was meant for the manual workers only. As a rule it pays the employer to give the men all the bonus, as he saves overhead charges through the saving of time and prevention of waste.

The principle of the Cost Premium permits of many variations. Graduated scales, by which the bonus is raised as the cost diminishes, may be granted. It is also possible to apply it to piece work, and in this respect it is useful in that it offers a double inducement to the employees. Piece work in itself encourages output, and the Premium Bonus encourages saving of material. The employer thus gains doubly. Obviously, too, it may be applied to contract work and to the superior staff of a works, although in the latter case it may be advisable to separate the managerial bonus scheme from that of the workmen.

The difficulties and advantages of the scheme are both obvious. Workmen are encouraged to be economical in the use of material and time, and to exert their best efforts. The employer gains in saving of overhead charges, and, especially where the system is combined with piece work, in increased output. In practice, the details of the scheme require some time to work, and workmen

as a rule prefer quick returns. From the workmen's point of view, too, the scheme compares unfavourably with other systems insomuch as, in periods of bad trade, they may be liable to lose over it, particularly if the scheme permits the accumulation of debts in cases when the cost is above the standard cost. Like other schemes, too, it is open to the disability of cost or rate cutting.

Sliding Scales.

When first devised, the sliding scale system was hailed by economists as a complete solution to the wages problem. It first came into prominence in the coal industry in Great Britain a little after the middle of last century, and two of its most noted exponents, Professor J. E. C. Munro and Mr. L. L. Price enthusiastically acclaimed it as a solution to the problem of industrial unrest. Professor Munro indeed went so far as to call the sliding scale "the greatest discovery in the distribution of wealth since Ricardo's enunciation of the laws of rent." For a full exposition of early sliding scales, the reader may be referred to Professor Munro's 'Sliding Scales in the Coal Industry' and 'Sliding Scales in the Iron Industry' and Mr. L. L. Price's well-known book 'Industrial Peace.' Experience has not borne out the earlier expectations of sliding scales, but there is no doubt that it has proved useful in the industries in which it has been adopted.

The sliding scale bears close affinity both to the piece-work system and to profit sharing. The underlying principle of the earlier sliding scales was to give to labour a share in the increased prosperity of the undertaking in which it was engaged, as measured by the selling price of the product. Latterly the sliding scale was adopted as a means to equate real wages with the cost of living. In the price upheavals due to the Great War, it was

essential to vary wage standards according to the prices of commodities or the purchasing power of wages, and a convenient standard was found in the cost of living index number issued monthly by the Labour Department of the Board of Trade, now the Ministry of Labour. This application of the sliding scale proved a handy expedient for keeping real wages constant or at least for preventing them from falling below a reasonable purchasing power standard.

The trades in which the original sliding scales were most frequently applied, and in which the sliding scale principle has continued, are coal and iron-stone mining both in England and America and the manufactured iron and steel trades. In setting a sliding scale, the first essential is to fix the standard or normal price and the standard or normal wage. Once these two constants have been fixed, the variations are settled as the result of collective agreement. The standard of both prices and wages is usually fixed for an agreed period of time varying from one to six months. The period selected is looked on as a normal period, and the averages of the prices and the wages are taken as the norm or standard. In the South Wales sliding scale which was devised in 1875, the prices and wages prevailing during the year 1869 were taken as the standards. Once the standard is fixed, the relative shares of labour and capital are determined. Revision periods are fixed at stated intervals, *e.g.*, in the above-mentioned sliding scales in the South Wales, the revision period was fixed at 6 months, and percentage scales were mutually agreed on between the workers' organisations and the employers. In the South Wales scale, for every shilling per ton advance in the price of coal, wages were raised by 7½*d.* These scales were altered later to suit new conditions. For the fixation of the standard, it is obviously necessary to have

accurate statistics, provided, if possible, by both employers and workmen's organisations, as the success of every scheme depends upon a standard which is statistically as accurate as possible. In the fixation of the percentage which accrues to labour and capital, fundamental economic principles are involved. The relative shares which go to wages, management and capital have all to be settled, and as there is no rule of thumb for such a settlement, it must depend ultimately upon collective bargaining.

Once labour and capital agree on the standard wage, there are obvious advantages in the sliding scale system. In the actual schemes put into operation, a neutral element was introduced by the provision of periodic examination by accountants of the figures relevant to the scales. This neutral element tends to allay the suspicion of workmen that the employers' prices may be "cooked." But, as will be apparent presently, the price determination is not so easy in practice as it seems in theory. The sliding scale has latterly become prominent more as a measure for stabilising wages and purchasing power, and it actually tends to secure this end although in origin it was adopted only as a method of payment. So far the sliding scales have been adopted only in basic industries, such as the coal and iron and steel industries, and the prices of the basic products of these industries are commonly an index of general price movements, so that a rise in the price of such products, which also means a rise in wages, tends to raise the wages of the workers in conformity with the rising price level of commodities throughout the country. It may reasonably be doubted if the sliding scale would be just in non-basic industries, for prices in them are often out of all relation to prevailing price movements. If the price of coal rises, in all probability the price of other commodities will rise shortly

afterwards. But the price of silk products may rise without either causing, or being the effect of, general price rises. A sliding scale applied to the manufactured silk industries might, therefore, only benefit one section of the community at the expense of the rest, and, incidentally, disturb the general wage equilibrium of the country. It may, therefore, be held to be true that the sliding scale, while successful in certain basic industries, might produce both economic disturbance and injustice were it applied universally.

In experience, the vexed questions concerning the relative shares between labour and capital have been amicably settled by the parties in question. It is not always easy to trace the direct connection between wages, prices and profits. Rises in prices and wages may coincide with falling profits, and as it is in the interests of the workmen to keep the price of the product up, sliding scales may lead to restriction of output. Other things being equal, increased output will, in all probability, reduce prices and, therefore, wages, while it might increase profits. Decreased output may or may not increase profits: it depends on the circumstances of each individual case, *e.g.*, foreign competition or monopoly conditions; and further economic considerations have to be taken into account. Thus it is possible that prices and wages may rise at the expense of profits, but under the sliding scale the workman must remain under the impression that, the higher the price, the higher his wage will be. The obvious result is that a sliding scale industry may flourish at the expense of the consumer. In this respect the sliding scale is distinctly disadvantageous as compared with profit-sharing schemes or schemes which pay bonuses or premiums, for such schemes offer incentives to the workmen to reduce costs and raise profits, irrespective of the price of the product. It has been held that it would be more economic to make sliding

scales vary not in direct, but in inverse ratio to prices, thus stimulating a desire on the part of workmen to avoid waste of both effort and material.

The fixation of prices raises many difficulties; one of these is that where contracts are made forward on a fixed price, the actual prices may not be the prices at which contracts have been made, and there may consequently be difficulty at the revision periods. Again there is the fundamental difficulty of all schemes which savour of profit-sharing. Profit-sharing may logically be said to involve loss-sharing, and sliding scales, to be logical, should be sliding scales downwards as well as upwards. The downward tendency, of course, is always unwelcome to workmen, but occasion must arise when revision downwards must take place; these have been numerous during the last few years.

Experience of the sliding scales in the coal and iron industries in Great Britain has been favourable. Originally they were welcomed by the workman, who felt that instead of being under the iron law of wages, he was made an interested partner in the industry in which he was working. It pleased him to share in the increased prosperity of the industry and it gave him an added interest in its general economic position. It also to a certain extent solved the opposed interests of labour and capital, for the workman felt that if prosperity had come, it had not come to the capitalist alone, but was shared by everyone. The sliding scales of the war period, based on the cost of living index number, also worked harmoniously, but the crucial test of trade depression at the moment has upset nearly every wage scheme in existence. On the whole it may be said that the sliding scale, while theoretically unsound in many particulars, has proved useful in practice, but has by no means come up to the expectations of its devisers.

The Priestman Scheme.

The Priestman Scheme of Co-operative Production is an example of what is sometimes termed the collective bonus or collective output bonus. It is a cross between profit-sharing and ordinary payment by results. The scheme was first adopted by Messrs. Priestman Brothers, Ld., Hull, in 1917, and it is now said that 24 firms have copied the original scheme, and that 17 other firms have adopted modifications of it. The object of the scheme is to encourage 'team work.' The underlying assumption is that while piece work is a useful instrument for getting good work out of individuals, it fails to get the best results because it does not encourage team work, *i.e.*, the common feeling necessary to make all the workmen pull together. The best results, according to the originators of the theory, are to be attained by allowing all the workmen engaged to benefit equally from the reward of their efforts. Any improvement is shared by all who have contributed towards the increased output according to their daily rate of wages. The scheme is applicable not only to actual manual workers, but to clerks and the management in general. The scheme is based on the principle of co-operation.

The first step in introducing such scheme is to fix a standard output. This is done by making an estimate of the work produced by a selected number of men over an agreed period. This period is selected, of course, after a full discussion between employers and workmen's representatives: in fact, the central organisation of the scheme is a Works Committee, which discusses with the management all matters appertaining to the scheme, and, in particular, examines and verifies the output of every month. All the men and youths are paid trade union rates of wages, to which is added the bonus which results from

the scheme, so that any increase over and above the standard output means a rise in wages for everybody employed in the works. If the standard output is 100, and in a given month the output reaches 140, the workmen are paid their trade union rate plus their share in the bonus at 40%, which is spread over the whole works. The Priestman scheme, though new, has already attracted wide attention largely because of its adaptability. One difficulty of the scheme, and this difficulty is characteristic of all schemes for which a standard has to be set, is the fixation of the original standard. It may also be pointed out that when Mr. Priestman first introduced the scheme he gave to all workers a 10% increase in day wages irrespective of output, which may have had something to do with the initial success of the scheme. It has been pointed out that similar schemes have failed owing to the dissatisfaction of the better workmen with the smaller returns from the collective bonus than ordinary piece work would give them. This is one of the root difficulties of all collective schemes. The specially efficient workman tends to become dissatisfied as the results of his efforts are pooled to make a level remuneration over works in which there may be at any time a fair proportion of slackers or relatively inefficient men. On the other hand, it may be said that it leads to encouragement of team work, and discouragement of slacking. It has always to be kept in mind that extra efficient workmen are really the most profitable workmen and no employer with a large supply of such workmen would care to discourage them by making them pool their earnings for the less diligent. All collective bonuses suffer from this disability and the Priestman scheme is too young yet to admit of fair judgment, especially as practically the whole period of its existence has been industrially abnormal. Other things being equal, the scheme may be expected

to be successful in small industries where each workman knows his fellow and can urge him on, and where the employer by personal precept and example can encourage his employees to good work. As compared with other schemes which have been examined, there is nothing in the scheme which encourages efficient economical production. If the bonus is paid on output, the workman must concentrate on output, with the result that in the haste to secure quantity, quality may be forgotten.

Part II

Profit-Sharing and Co-Partnership

1. Definition of Profit-Sharing

The subjects of Profit-sharing and Labour Co-partnership might with equal justification be included in a book on the Payment of Wages or on Industrial Peace. They are both methods of payment and methods of securing industrial peace. Profit-sharing is an attempt to reconcile what, especially in the minds of the working classes, are often regarded as opposites—labour and capital, and profits and wages. With the growth of individual independence in the labourer and the development of class consciousness in the manual working classes, the feeling has grown in intensity both among workers and among employers that there should be some method whereby manual workers should automatically benefit by periods of industrial prosperity and high profits. In a general sense, of course, the prosperity of an undertaking and general industrial prosperity raise wages by the ordinary economic process of increasing the demand for labour. Even without the intervention of such automatic schemes as profit-sharing, many employers have consistently shared prosperity by adding to the ordinary wage-rates of employees, both manual and clerical, periodical bonuses or presents, as rewards for good work and good results. The sliding scale system, too, in some respects, resembles profit-sharing, but as we shall see, profit-sharing has now a definite meaning and applies only to certain types of schemes.

The principle of sharing is by no means a new one, but in its modern form it is so distinctive as to seem almost entirely different from the more primitive system of which it is a descendant, *viz.*, product-sharing. Product-sharing, by which the employee received a certain amount of the actual material which he produced, was common in the days of home industries. It was and even to-day is common in agriculture. The agricultural system of tenure known as *metayage* is one of the best known systems of product-sharing. The primitive partnership of the *metayage* system peculiarly enough has never passed into the more highly developed system of profit-sharing in agriculture itself. From time immemorial, product-sharing has been a recognised method of payment in fishing. But it has long since passed away as a method of remuneration in modern general industry. In the days of handlooms and of cottage industries, it was easy for the employer and acceptable to the employee to give and receive the materials which they made. The employee welcomed his share of cloth, which, if he did not require it himself, he could sell or barter for some commodity for which he had greater need. With the growth of large scale production in industries, the whole idea of product-sharing has now lost its meaning. It would be entirely useless so far as the workers are concerned. The product now is reduced to its money value, and, all other elements in the productive process having been taken into account, a share in the profits ultimately realised is handed over to the worker as an addition to his earned wages. Profit-sharing is thus an addendum to the ordinary wage system. The worker receives a fixed wage, and, after the results of his and his fellow workers have been appraised in the business accounts, he receives a share in the profits he and they have helped to make, if any such profits are declared.

The above ideas are borne out by the recognised definitions of profit-sharing. One of the earliest standard definitions is that of M. Charles Robert—a definition accepted by the late Mr. D. F. Schloss in his well known Report on Profit-sharing (1894). "Profit-sharing," this definition says, "is a voluntary agreement, express or implied as the case may be, by which an employer gives to his workmen, over and above the ordinary wage, a share in his profits without participation in losses." The definition accepted by the Ministry of Labour in Great Britain is that formulated by the International Congress on Profit-sharing held in Paris in 1889. This definition is:, "The agreement, freely entered into, by which the employees receive a share, fixed in advance, of the profits." These two definitions are representative enough for our purposes, and, between them, they bring into prominence the chief characteristics of profit-sharing. In the most recent report of the British Ministry of Labour on the subject (published in 1920) attention is drawn to the following points in the definition on which ambiguity is possible, and on which a special committee of the Congress itself provided the necessary elucidation.

(1) The agreement may be either express or implied; in other words, it may be an agreement binding in law, which, in modern large industries, is the normal form which such an agreement usually takes. Or it may be only a moral obligation or promise, provided that it is honourably carried out by both sides. The agreement need not be entered into formally by an employer or firm and his employees, either individually or collectively. It may merely be promulgated by the firm, to take effect on given conditions from a given date. Almost needless to say the ends of profit-sharing are best served when the employees are fully consulted and their wishes ascertained by vote or otherwise.

(2) A share in profits means a sum paid to an employee, in addition to his wages, out of the profits of the firm, and the amount of the share must depend on those profits. Thus if an employer undertakes to contribute £1 to a pension fund for every £2 contributed by his workmen, this is a case of profit-sharing only if the sum is paid out of profits, because the sum payable under the agreement does not depend upon the amount of the year's profits: it is an undertaking given by the employer irrespective of profits. The bonus must also bear a fixed and definite relation to profits, otherwise all payments to employees out of profits (such as Christmas presents and special bonuses in good years) would be called profit-sharing.

(3) The profits from which the amounts may be paid from the profit-sharing scheme are to be understood as the actual net balance of gain realised by the financial operations of the undertaking in relation to which the scheme exists. Thus the payment of bonus on output, premiums proportionate to savings effected in production, commission on sales and other systems, sometimes known as gain-sharing, under which the amount of the bonus depends upon the quality or amount of the output or volume of business, irrespective of the rate of profit earned, do not constitute profit-sharing.

(4) Money paid to an employee under a profit-sharing scheme, properly speaking, must be paid to him strictly as an employee, *i.e.*, in consideration of the work done by him. The fact that an employee has shares or a pecuniary interest in a concern and because of such holdings receives a share of profits does not constitute profit-sharing, but if an employee receives shares on specially favourable conditions from the firm, or receives special interest on his holdings varying with profits, this does come within profit-sharing.

(5) An important element in the definition of the International Congress on Profit-sharing is the phrase "fixed in advance" or "pre-determined." According to the decision of the committee of the International Congress, which examined this question, it is not necessary that the employees should know the exact basis upon which the amount of their share is determined, but any scheme which is indeterminate, *i.e.*, if the employer at the end of the year decides on his own initiative how much he is to give within the scheme, is not, properly speaking, profit-sharing. The necessity of a pre-determined scheme is fairly obvious. One of the objects of profit-sharing is to call forth the best exertions of workmen, and it should be made clear to them beforehand that they will share in the results of their own exertions.

(6) In regard to the difficult question of the basis of distribution of the profits to individuals, the committee was inclined to accept any scheme which satisfied the main canons of the definition, whether the employer fixed the share of each individual on the same basis or whether he used his discretion in distributing the shares to individuals according to his opinion of their merit. The main point is that the employees' share must be pre-determined and no part of it may revert to the employer.

(7) Profit-sharing must extend to the majority of the employees in a firm. A scheme which only includes managers, foremen and experienced hands is not properly speaking a profit-sharing scheme. While allowing certain exceptions, such as persons who are not adults and those who have not been long enough in service to qualify, the committee considered that not less than 75 per cent. of the total number of the adult employees who had been in the service of the employer for at least one year should be included in any scheme.

The most authoritative definition of labour co-partnership is that issued by the Labour Co-partnership Association in 1911 and amended in 1919. This association, which was founded in 1884, has been very largely instrumental in establishing Workers' Productive Societies throughout Great Britain, and, insomuch as it is the central propagandist, if not the governing body, of such associations, its definitions may be taken as standards.

The statement of the Labour Co-partnership Association runs thus:—

"The co-partnership of labour with capital is capable of many modifications according to the needs of varying industries, and in some of them it is applicable to almost every industry where labour is employed. In its simplest form, taking the case of a man employed by a great limited liability company, it involves—

(1) that the worker should receive, in addition to the standard wages of the trade, some share in the final profit of the business, or the economy of production;

(2) that the worker should accumulate his share of profit, or part thereof, in the capital of the business employing him, thus gaining the ordinary rights and responsibilities of a shareholder."

The addendum of 1919 is important. It runs thus:—

(3) "That the worker shall acquire some share in the control of the business in the two following ways:—

(*a*) by acquiring share capital and thus gaining the ordinary rights and responsibilities of a shareholder;

(*b*) by the formation of a co-partnership committee of workers, having a voice in the internal management."[1]

From the descriptions of various schemes given later in this chapter, it will be noted that the co-partnership committees occupy a very important place in some profit-sharing schemes. Not only have these committees in many cases been given practically full control of the schemes, but they have also been given wide responsibilities in regard to general questions affecting the welfare of the workers and their relations with the management. This is particularly the case with one of the best known of the English schemes, that of the South Metropolitan Gas Company. In other schemes the employees are eligible for seats on the board of directors, while in still others, especially in some French schemes, the employees have practically complete control of the business, similiar to the system prevailing in Co-operative Production Societies.

As the last report of the Ministry of Labour points out, it is sometimes a matter of considerable difficulty to decide whether a shareholding scheme properly comes within the definitions of profit-sharing and co-partnership. In many cases firms, especially when private firms are converted into limited liability companies, issue a certain number of complimentary shares to the senior

[1] The following Resolution, carried at the Co-partnership Congress, October 26-28th, 1920, summarises the aims of Co-partnership in a somewhat similar way :—

" That the Congress declares—

That in order to harmonise the essential unities of interest between Capital and Labour and to break down the present antagonism separating those providing the Capital from those providing the Labour, and to secure an increasing share of the Capital to those supplying the Labour, a system of industry must be introduced in which the workers possess—

(1) A share in the Profits;

(2) A share in the Capital;

(3) A share in the Control and Responsibility.

employees; but such an issue may not be accompanied by either the principles underlying profit-sharing and co-partnership, or with the practices which have now come to be recognized as incidental to them. An employer, for example, may issue gratuitously shares to a number of employees, but he may not institute any system by which the employees will be more closely connected with the management, or enunciate any definite principles by which shares may be given to the employees in the firm in the future. In such a case, the firm cannot properly be brought within the scope of profit-sharing and labour co-partnership; but if a firm definitely announces its intention of issuing shares, either gratuitously or on very favourable terms, to its employees at regular intervals in the future, such a firm does work on the principles now universally connected with profit-sharing and co-partnership.

The objects of profit-sharing and co-partnership will unfold themselves in the analysis which follows. Briefly stated, the objects are to promote harmony in industry by instilling into the minds of employees the common interests of capital, managers and labour. Such harmony lessens the chances of strikes and lock-outs; it increases the *esprit de corps* in industrial firms, and as a result benefits output and profits. The raising of output, an object which profit-sharing has in common with other systems of payment by results, follows not only from the actual share which the employees receive from the results of the output, but from the added incentive they have to work hard, to look down upon slacking, to economise time and material, and in other ways to prevent waste of work, tools and personal strength. The employees are also encouraged to save money, and, by means of provident funds, superannuation funds, etc., to continue in service with the same firm. Practically

every profit-sharing scheme makes provision against sickness, incapacity to work and old age; while in most cases arrangements are made for the general welfare of the employees both inside and outside the factory. Profit-sharing is an *idea* as well as a method of payment. As G. J. Holyoake (quoted by Carpenter, in his *Co-partnership in Industry*), says "Industrial partnership is a policy of buying the skill and the will of a man—his genius and his self-respect, which elevate industry into a pursuit of art, service into companionship refined by equality and rewarded by mutual, though different degrees of competence." Behind it is the idea of community of feeling, of common welfare, and of social betterment. It is not a mere machine to increase output; it represents a social theory as well as an industrial fact.

2. Profit-sharing in the United Kingdom.

The following table shows the dates of profit-sharing schemes in the United Kingdom from 1865, with an isolated case known to have existed in 1829. (The table is taken from the Report on Profit-sharing and Labour Co-partnership in the United Kingdom, issued in 1920.)

Year.	Total Number of Schemes started in each year.	Number of Schemes that have now ceased to exist.	Number of Schemes in operation at 31st October, 1919	Proportion of existing Schemes to total started.
				Per cent.
1829 ..	1	1	..	*Nil*
1865 ..	6	5	1	16 7
1866 ...	6	5	1	15 4 (1866–1870)
1867 ...	4	4	.	
1868 ..	1	1	.	
1869 ...		.	..	
1870 ..	2	1	1	
1871 ..	2	2	..	18·2 (1871–1875)
1872 ...	4	4	.	
1873 ...	2	2	..	
1874 .	2	1	1	
1875 ...	1	...	1	
TOTAL 1829 1875 .	31	26	5	16·1

Year.	Total number of Schemes started in each year.	Number of Schemes that have now ceased to exist.	Number of Schemes in operation at 31st October, 1919.	Proportion of existing Schemes to total started.
1876 ...	3	2	1	
1877 ...	...	...	...	
1878 ...	2	...	2	42·9
1879 . .	. .	...	...	
1880 ...	2	2	...	
1881 ...	3	*2	1	
1882 ..	2	1	1	
1883 ..	3	2	1	36·4
1884 ...	3	2	1	
1885 ...	...	...	. .	
1886 ...	6	4	2	
1887 ...	6	6		
1888 ...	6	6	.	14·7
1889 ...	18	13	5	
1890 ...	32	29	3	
1891 ...	16	14	2	
1892 ...	17	15	2	
1893 ...	6	5	1	18·5
1894 ...	6	3	3	
1895 ...	9	7	2	
1896 ...	6	4	2	
1897 ...	3	3	.	
1898 ...	3	3	...	17·4
1899 ...	2	1	1	
1900 ...	9	8	1	
TOTAL 1829-1900 ...	194	158	36	18·6

Year.	Total number of Schemes started in each year.	Number of Schemes that have now ceased to exist.	Number of Schemes in operation at 31st October 1919.	Proportion of existing Schemes to total started.
1901 .	1	2	2	
1902 ...	4	2	2	
1903 .	6	2	4	48·0
1904 ..	5	2	3	
1905 ..	6	5	1	
1906 .	4	1	3	
1907 ..	9	5	4	
1908	16	1	15	70·9
1909	16	4	12	
1910	10	5	5	
1911 .	8	1	7	
1912 .	18	2	16	
1913 ..	15	2	13	82·3
1914	18	5	13	
1915	3	1	2	
1916	4		4	
1917	5		5	100·0
1918 .	6		6	
1919 (10 months) ...	29	..	29	
TOTAL .	380	198	182	47·9

From the table it will be seen that a total of 380 schemes have been known to be in existence, but of that total no less than 198, or 52·3 per cent., have been abandoned. Of the schemes in existence at the time the report was compiled, only 14 had been in existence for more than 30 years, and only 36 had been started before 1901.

The table also shows that there is considerable variation in the development of profit-sharing as a whole from year to year and from period to period. Profit-sharing movements are somewhat fitful. They seem to start or revive at periodical intervals, but the initial impetus in many cases does not last. A general review of profit-sharing and of other industrial movements tends to show that the periods of activity in profit-sharing coincide with periods of good employment and periods of industrial unrest. It is obvious that profit-sharing cannot be successful in periods of depression when profits are either small, or non-existent, and it is equally obvious that profit-sharing is likely to be tried in times of industrial unrest as a method of harmonising capital and labour. From the table it will be seen that the years 1889-1902 provided an unusual number of new schemes. Apart from the fact that 1889-1891 were years of prosperity, the movement received additional impetus from the International Congress on Profit-sharing which was held in 1889, and which gave much prominence to the movement, and from the example set by the South Metropolitan Gas Company's scheme which was started the same year. The period from 1908-1914 also shows activity above the average. The earlier part of that period is notable for the creation of a number of gas companies' schemes, while the later period 1912-1914 was a period of very marked industrial unrest. Since the con lusion of the war, a variety of reasons have been in operation. Postponed schemes, held in abeyance during the war, were introduced, industrial unrest was particularly great, the idea of harmony in industry was very prominent, and the boom and slump in trade were the greatest ever known. In 1919 the full number of schemes now known to have been introduced was 48. In 1920, 47 more schemes were started. Then came the trade slump. In 1921 only 12 schemes were started, and the

latest returns show that only six new schemes were introduced in 1922. In 1919 nine schemes were abandoned, in 1920, twelve, in 1921, nine, and in 1922, four.

It is impossible to analyse here in detail either the abandoned schemes or the course of events which led to their abandonment In the majority of cases, the abandonment was due either to financial reasons, or to dissatisfaction with schemes in operation, on the part either of the employers or of the employees.

Those abandoned for financial reasons usually were given up in periods of trade inactivity. The financial reasons include losses on the schemes, diminution of profits to the firm, dissolution of the firm itself, or liquidation. In no less than 67 of the abandoned schemes, the cause attributed is dissatisfaction of the employers with the results of the scheme. The employers did not achieve the results which they anticipated when they encouraged the scheme, either in achieving industrial peace, or in securing greater personal interest in their work on the part of employees. In a few of the schemes which have been abandoned, the employers have substituted other methods of special remuneration, *e.g.*, bonuses not on a profit-sharing basis, old age pensions, increased wages or shorter hours. In other cases of abandonment the dissatisfaction of the employees, or the opposition of the trade unions, was responsible for the cessation of the schemes. In one case the employers gave up the scheme because of the additional claims made upon them by the passing of the Workmen's Compensation Act. The municipalisation of the undertaking concerned, shortage of staff, and various causes connected with the war, *e.g.*, increased taxation, government control, increase of wages, war bonuses, permission to employees to invest in war loans, and confusion caused by wages awards, have also been given

as causes of abandonment. In several cases schemes have been abandoned when businesses have been converted into co-operative societies, which conversion has meant the abandonment of the actual scheme but its replacement by similar principles. The latest returns[1] show that the four schemes abandoned in 1922 (the schemes had been in operation for 20, 13, 10 and 6 years respectively) were dissolved for the following reasons. In the first case, involving 300 employees, the scheme was given up on account of strikes; in the second, because the business (a gas undertaking) was amalgamated with another business which also had a profit-sharing scheme; in the third case (a very small concern) because of a strike; and in the fourth, which covered 950 employees, because a new scheme was proposed to be introduced, in place of the two schemes previously in existence.

An analysis of the duration of profit-sharing schemes, both abandoned and in existence, shows some interesting figures. The average duration of all the abandoned schemes is a little over eight and a half years, but a third of them came to an end before the fourth year of existence, and a half of them before the seventh. In some of the cases the scheme only nominally lasted for a given period, as the actual bonus had ceased to be paid before the scheme was formally closed. The actual average, as distinct from the nominal average duration of the schemes, would be considerably less than eight and a half years.

Of the 182 schemes shown to be in existence in the table given above (this number includes 6 schemes officially described as 'suspended'), 29 were started in 1919. The average duration of the schemes, excluding those 29, is round about 14 years. The age of the existing schemes (and this is also true of the abandoned schemes) shows

[1] *Vide* the *Labour Gazette* (British Ministry of Labour), September, 1923.

an increase of two and a half years as compared with that given in the previous report, issued in 1912, of the Ministry of Labour. The following table shows the distribution of the various schemes according to age:—

1-4	years in 17	cases.
5-6	,, 26	,,
7-8	,, 23	,,
9-10	,, 17	,,
11-12	,, 19	,,
13-15	,, 7	,,
16-20	,, 10	,,
21-25	,, 7	,,
26-30	,, 13	,,
31-40	,, 6	,,
41-54	,, 8	,,

In the United Kingdom, profit-sharing has achieved its highest success in gas undertakings. (The example of the South Metropolitan Gas Company is described later.) In other industries only a small number of firms have adopted profit-sharing in any form, and from the table below it will be seen that the abandoned schemes of these industries are greater than existing schemes. The following table shows the number of schemes started, abandoned and in existence in various trades.

Nature of Business	Number of Schemes			Number of employees in Surviving Schemes (so far as returned).	
	Started	Aban-doned.	Sur-viving.	Number of firms to which Returns relate.	Employees
Agriculture . ..	23	15	8	7	1,267
Building trades	14	11	3	3	203

Nature of business.	Number of Schemes.			Number of employees in Surviving Schemes (so far as returned).	
	Started.	Abandoned	Surviving.	Number of firms to which Returns relate.	Employees.
Chemicals, soap and candle manufacture; oil, paint, and varnish manufacture; brick, lime, pottery, and glass trades	22	9	13	12	16,478
Clothing trades	16	11	5	3	661
Electricity undertakings	2	..	2	2	303
Food and drink trades (manufacture)	34	18	16	13	7,792
Gas undertakings ...	40	4	36	35	33,528
Metal, engineering and shipbuilding trades:—					
Metal ...	13	8	5	4	7,776
Engineering and shipbuilding	31	17	14	11	81.497
Mining and quarrying	6	5	1	1	11,232
Paper, printing and allied trades,—					
Paper making	6	2	4	4	1,125
Printing, bookbinding and stationery	38	25	13	12	5,583
Textile trades	25	8	17	17	24,157
Transport trades	4	2	2	1	192
Woodworking and furnishing trades	10	9	1	1	60
Merchants, warehousemen and retail traders ...	58	33	25	23	23,237
Banking, insurance and other financial businesses	5		5	5	24,325
Other businesses ...	33	21	12	10	3,634
Total ...	380	198	182	164	245,300 [1]

[1] This table is taken from the 1920 report The latest table (September 1923) is compiled on a somewhat different basis and gives further particulars. At the end of 1922 there were 225 schemes in operation; but the particulars in the table below relate only to 173 out of the total, as the Ministry of Labour did not obtain returns of some of the schemes, while in others it was impossible from the returns received to state the amount of the bonus and the proportion it bears to earnings. Some recent schemes of course are not included, as the first bonus was not payable at the time of the compilation of the table. In the subjoined tables, the italicised figures show the result of excluding schemes in which the bonus consists of interest at a rate varying with the profits paid on sums deposited with the firm by its employees. The amount of the bonus in such cases is, therefore, limited by the extent to which the employees used the deposit fund. (*Tables given in footnotes, pp. 99-101.*)

From the above table it will be seen that, on the basis of numbers employed, the engineering and shipbuilding group of trades contains the largest number of profit-sharing employees. About half of this number however, belongs to one firm, namely, Messrs. Armstrong, Whitworth and Company, whose scheme is described later. In the textile trades it will be noted that 17 schemes continue in existence out of a total of 25 started.

The following table shows the size of the profit-sharing firms in the United Kingdom for the 164 firms whose numbers were known accurately to the Ministry of Labour when the 1920 report was compiled.

	Per cent
Having not more than 25 employees ...	6
Having more than 25 but not more 100 employees	24

The following table (*Vide footnote, p 98*) shows the amount of bonus paid in 1922, and the ratio of bonus to earnings :—

Ratio of Bonus to Earnings.	No. of schemes to which particulars relate.	Average No. of Employees in Constant Employment	Number of Employees Participating† in 1922.	Amount of Bonus paid (or credited) in 1922.
				£
Nil	71	54,420	26,007‡	*Nil*
	63	*26,458*	*23,565‡*	*Nil*
Under 2 per cent.	13	28,945	8,715	8,053
	9	*5,031*	*4,923*	*5,745*
2 and under 4 per cent. ..	17	28,715	21,622	133,837
4 " 6 " .	17	12,463	11,210	72,058
6 " 8 " ...	13	6,372	5,330	50,610
8 " 10 " ..	5	2,000	1,202	32,451
10 " 12 " ...	8	4,335	3,380	50,777
12 " 16 " ..	3	1,190	114	3,763
16 " 20 " .	4	1,233	703	29,256
20 per cent. or over	6	4,156	3,684	109,506
Ratio not stated	16	68,167	31,475	234,576
	9	*33,495*	*26,289*	*230,148*
TOTAL ...	173	212,002	116,441‡	724,887
	154	*125,451*	*105,024‡*	*718,151*

† Including those entitled to participate in cases where the bonus was nil.

‡ This was the number entitled to participate if any bonus had been paid.

	per cent.
Having more than 100 but not more than 250 employees	23
Having more than 250 but not more than 1,000 employees	27
Having more than 1,000 employees ...	20
	100

Before proceeding to an analysis of actual schemes in force in the United Kingdom, we may first give a short general analysis of the general principles on which the schemes are conducted. The schemes may be divided into four classes, Gas Company Schemes; Savings or Deposit Schemes; Shareholding Schemes and Cash Bonus

The following table shows the results of the schemes included in the above table (*Vide footnotes, pp 99-100*) classified according to the industry or business in which the firms are engaged :—

Industry or Business	No. of schemes to which particulars relate.	No of Employees participating in 1922.	Average Amount of Bonus per head.*	Average Ratio of Bonus to Earnings.†
			£ s. d.	
Agriculture .. .	7	307	1 19 1	0 8
	6	*207*	*2 18 0*	*1·2*
Engineering, Ship-building and other metal	20	13,089	1 1 7	0 7
	12	*7 665*	*1 10 10*	*1·0*
Food and Drink (Manufacture) .	13	5,271	17 16 3	14 6
	10	*4,484*	*20 13 4*	*15 7*
Textile	21	11,842	6 15 3	4 9
	18	*10,221*	*7 13 5*	*5 6*
Paper, Printing, Book-binding, Publishing, etc. .. .	16	5,511	5 17 11	4·1
	15	*5,360*	*6 1 2*	*4 2*
Chemical, Soap, Oil, Paint, etc. ...	10	18,255	10 8 6	2 7
	9	*18,148*	*10 9 9*	*2·8*
Gas Supply	30	28,780	4 4 10	2 4
Insurance	2	13,814	3 15 3	13·0
Merchants, Warehousemen and Retail Traders	26	5,570	10 15 4	5·7
Other Business	28	14,002	5 13 6	5·0
	26	*10,775*	*7 4 7*	*5 0*
TOTAL ..	173	116,441	6 4 6	3 8
	154	*105,024*	*6 16 9*	*4·1*

* Calculated on the number of employees participating, including, where the bonus *nil*, the number entitled to participate.

† Taking into account the schemes in which the bonus was *nil*, but excluding (necessarily) those in which the ratio of bonus to earnings could not be stated.

Schemes. Gas Company schemes are classified separately, owing to the unique place they occupy in English profit-sharing. The different classes of scheme are by no means mutually exclusive. Various sorts of permutations and combinations exist, but the classification is sufficient for our present purpose. As shown by the Report of the Ministry of Labour, exact classification is exceedingly difficult, if not quite impossible. The general analysis of the succeeding paragraphs is on the lines of the above-mentioned Report.

Most of the schemes do not specifically state whether the arrangement for profit-sharing is a voluntary one, or a matter of legal right. Some firms regard the bonus as a purely voluntary payment on their own part, while others confer a legal right on the employees to share in the profits on the terms contained in the legal agreement.

The profits on which the bonus is calculated vary from firm to firm. The usual basis on which the bonus is reckoned is the net profits of the business for the year preceding the distribution of the bonus. In some cases the bonus is declared on half-yearly profits. In a number of cases before the amount to be divided among the employees is fixed certain other charges have a prior claim on the profits, *e.g.*, interest on capital which the proprietors or managers of private businesses have invested in the business, a minimum rate of dividend on the capital of shareholders in joint-stock companies, sums for

It will be seen from the above tables (*footnotes, pp 99-100*) that of the total number of workpeople employed by the profit-sharing concerns, the proportion entitled to participate in any bonus distributed was more than one half This is accounted for by the fact that in a number of schemes profit-sharing is restricted to certain classes of employees, or is made available only to those who deposit savings with the firm In most schemes a number of employees are excluded because they fail to observe the conditions of the scheme. Of those entitled to participate in the schemes nearly 80 per cent. received a bonus in 1922; the remainder who received no bonus were in firms whose profits did not admit of any distribution under their particular schemes.

depreciation or reserve funds, and sums for pension funds. Most joint stock companies provide for the payment of a minimum dividend before settling the sum available for distribution for the purposes of profit-sharing; they also make provision for a minimum return on capital, usually about 5 or 6 per cent. These deductions provide a reserved limit which profits must exceed before any distribution is made to employees. As a rule the employees are informed of the principles upon which the amount of bonus is calculated; in some cases, however, only a few of the senior employees are allowed to know the method of calculation; the others are informed only of the total amount available for distribution. Several firms make provision for the certification of the results of the calculations by either an accountant or an auditor. His certificate may be seen by the employees if they wish. In a number of schemes, a fixed proportion of the divisible profits is definitely earmarked for the employees. The amount divisible therefore varies with the amount of the profits. In one or two schemes, the proportion of profits set aside for the bonus is determined by scales of percentages which vary with the amount of profits. In some cases in which there is a reserved limit, the profits divisible for bonus are fixed not in proportion to the remaining profits above the limit but in proportion to the total net profits.

In some schemes, the surplus profits above the reserved limit are divided between capital and wages *pro rata*. The percentage dividend paid on wages is equivalent to the percentage paid on capital above the reserved limit. Within this principle there are many variations, especially in the fixation of the relative percentages payable to labour and capital. A not unusual provision is that, if the dividend payable rises to a certain figure, say 10 per cent. or higher, an additional bonus above the minimum

agreed upon is payable according to a definite ratio of percentages fixed according to the rise.

In the usual type of scheme, where the bonus is a fixed proportion of the profits, sometimes no mention is made of any part of the total net profits being kept as a reserved limit. In such cases the whole of the profits is taken into account for the purposes of the bonus. In cases where the participation of employees depends upon the profit exceeding a reserved limit, the analysis made by the Ministry of Labour in 1920 shows that the percentage of surplus profits set aside for payment of bonus varies from 2 to 50 per cent. About one half of the schemes which fixed the bonus in this way allotted 50 per cent.

Every profit-sharing concern has a fairly elaborate set of rules to which the employees must conform before they are eligible for participation. One of the most usual conditions qualifying for participation is that the employees so qualifying must have served a firm for a certain minimum period. The usual period fixed upon varies from 6 months to 12 months, although there are instances of 4 weeks' and 5 years' periods. In some cases, in which longer qualifying periods are essential, certain provisions are made whereby shorter service men may qualify for a certain amount of bonus. Another type of qualification is age, *e.g.*, boys under 18 or 21 may not be eligible, although, in some cases, they are eligible for a smaller bonus than adults. Other classes of workers are excluded in individual schemes, *e.g.*, workers paid wholly or partly on commission, those earning more than a certain wage or salary, piece-workers, and workers paid on a premium bonus system. In one instance, it is noted that the employees who belong to a trade union are excluded from participation, while, in another scheme, membership of a trade union is a condition of participation.

Most schemes leave the trade union membership question open. Provision is made in some schemes for the selection of individual participants by the manager or foreman. In a few cases one of the conditions of admission is that the employees must be members of a provident fund, or must own a life insurance policy of a certain amount. In one case, employees have to possess professional qualifications before qualifying for participation. The conditions of the schemes usually include provision regarding conduct, satisfactory workmanship, good time-keeping, etc. In Messrs. Levers' scheme, the employees have to sign a document promising to be regular in work, careful of tools, and to be eager generally to further the company's interests.

The most usual basis accepted for the division of the bonus among employees in profit-sharing schemes other than savings or deposits schemes is that the bonus is distributed among the workmen in proportion to their wages over the period to which the distribution applies. In individual schemes there is a considerable amount of variation in the methods by which the details of the distribution are arranged on this general basis. In some schemes overtime is altogether excluded for the purposes of calculation; in other schemes piece-work earnings are excluded, but sometimes, in classes of work in which piece-work is common, the bonus is distributed according to the time rate basis prevailing in the particular trade. Sometimes time lost through sickness is allowed to count for calculation, although there may be a limit set for such time. Deductions are sometimes made for time lost through causes other than sickness, but one instance allows over-time to count as making up for lost ordinary time. Deductions may also be made for waste, indolence, bad behaviour or irregularity. One instance is quoted in which time lost because of a lock-out, or general or

district strike, is not reckoned as time wilfully lost, and does not accordingly debar an employee from participation in the profits. In the case of time lost by reason of a strike on a scale smaller than that of a general district strike, however, the time is deducted as having been wilfully lost.

In a considerable number of instances, the total bonus is not distributed proportionately to earnings. In one or two cases a scale of wage limits is drawn up to regulate the division; in other cases special exceptions are made for certain classes of employees, *e.g.*, while the main body of employees are paid a bonus proportionate to their earnings, a smaller bonus is paid to those who have a shorter term of service than the period fixed as the normal term, or to those under a certain age. In some cases a double bonus is paid to employees with long periods of service.

In those schemes which do not adopt the basis of bonus proportionate to wages, the method of calculation varies considerably. Length of service is adopted in one scheme. In other schemes part of the bonus is distributed according to length of service, and part according to wages. In some cases special provision for a larger bonus is made for heads of departments or overseers. In other cases the bonus is distributed only among those entitled to participate in equal shares. In one scheme special provision is made for a larger bonus in the case of men than in the case of women.

In a considerable number of schemes the division of the bonus payable is regulated by the employers themselves. In making their distribution, practically all the considerations mentioned in the previous paragraphs are taken into account, *e.g.*, merit, length of service, value of work, position in the firm and regularity of attendance. Sometimes the bonus is distributed according to classes

of workmen, the classes having first been fixed according to merit in which good time-keeping is taken particularly into account. Sometimes the classes of workmen are fixed according to position, wages or salaries. In some cases, while the bonus is ultimately distributed according to wages, the workmen are first divided into classes, and the total amount of bonus to be distributed is fixed in proportions for the classes, *e.g.*, in one case three-fourths of the total bonus goes to the managers, assistants, clerks, apprentices and lads, and one-fourth to the workmen.

In most schemes the bonus is paid annually, and the amount is determined when the annual accounts of the company are drawn up. In some cases the bonus is paid half-yearly, in a few cases quarterly and even monthly. In one case the bonus is paid in weekly instalments in the year following that in which the bonus was made. In another case the bonus is declared annually, but is retained in the hands of the firm, which pays 6 per cent. on the money until the end of triennial periods. The employee, however, if he cares, may take out his bonus annually. In one or two cases the firm reserves part of the bonus in order to average good and bad years. In one case, indeed, the whole of the bonus may be carried forward by the firm if the distributable profits do not exceed a certain minimum figure. In a number of cases part or whole of the bonus is retained in the hands of the firm, which may either place the amount to the employee's credit and allow him to withdraw small sums at short notice, or accumulate the money in a provident or superannuation fund from which the employee is not allowed to withdraw anything. In some cases part or whole of the bonus is reserved by the firm for investment in the capital of the business. In most of the schemes in which the bonus is reserved as a provident fund, the employee

is allowed to withdraw one half. Six cases are quoted in which the whole of the bonus is placed to the credit of a provident, pension or some kind of benefit fund. In some schemes the bonuses due to those employees who have not fulfilled the conditions necessary to make them full participants in the scheme are paid into a common fund for the benefit of the employees.

A further note may be made on those schemes in which the bonus is applied for provident fund purposes. There are two classes of such schemes :—(*a*) those in which a common fund is created for the benefit of the participants collectively; and (*b*) those in which the share of each employee is credited to his own account separately. In the first class the money may be utilised for superannuation, sick allowances, disablement grants, or grants payable at death. In one instance female employees may receive a grant from this fund when they leave the firm to be married. Various charitable purposes also come under this type. Most of the schemes are of the second class, *i.e.*, each individual's share is credited to his own account. The rules regulating these funds vary from type to type. In some schemes it is laid down that the fund may be paid out to the individual at a certain age, or after he has served a given period with the firm. In several schemes the accumulated bonus is ultimately paid in the form of a pension, instead of as a lump sum, but in every case provision is made that the balance in the employee's account shall be paid to his representatives in the case of his death. Most schemes make special provision for the cases of employees who wish to leave the firm. These provisions are usually fairly stringent, in order to prevent employees leaving the firm simply in order to get a lump sum of money into their hands. Thus, in one instance an employee who either leaves or is discharged, except through ill health, may receive the

whole of his accumulated bonus only if he has completed 20 years' service with the firm; otherwise, he only receives a portion of the amount. In another case it is provided that, if an employee leaves with the firm's consent, he receives half the amount at his credit, but if he leaves without the firm's consent, he receives nothing. In some cases the firm reserves the right to defer the payment of the amount at the credit of an employee if the employee leaves service. In most cases female employees leaving to be married are allowed to take the whole amount at their credit. In nearly all cases of bonus accumulated for provident fund purposes, the firms either do not allow the withdrawal of any sums at the credit of the employee while he is in the service of the firm or make the conditions of such withdrawal extremely stringent.

The actual money in both the above classes of provident fund bonus schemes is usually left with the firm. The money is usually treated as deposits and granted rates of interest sometimes lower and sometimes higher than the current bank rates. In some cases the money is invested in recognised gilt-edged securities, and in other cases in special pension funds.

In many cases, either the whole or part of the bonus is retained by the firm for the purposes of investment in the capital of the firm itself. In some cases the whole of the bonus payable is thus invested, in other cases a fixed proportion of the bonus. In one case the bonus is retained for investment until the investment figure reaches a certain figure, after which the employee may receive the bonus in cash. In another case the employees have the option either of taking cash or of leaving the money for investment.

In many firms the profit-sharing schemes include the issue of shares on special terms to their employees.

As already noted, the fact that employees hold shares in a firm does not in itself come under profit-sharing properly speaking; it is only when these shares are given to the employee on special terms that such schemes come within the usually accepted definition of profit-sharing.

A certain number of shareholding schemes allow the employees to buy shares at a price below the current market value, and in such cases provision is usually made for the purchase of the shares by instalments. In other examples shares are given to the employees without payment. In such cases the shares are given only to employees who have served a number of years continuously with the firm, although in one or two instances the term of service is as short as one year. In other cases only selected employees are given such shares. One case is quoted in which fifteen £10 shares are made available for distribution in each year in which a dividend of 6 per cent. or more is payable on the ordinary share capital; these fifteen shares are distributed to selected employees. In another case every employee is entitled to receive one preference share, called a "service share," for each year of approved service, provided that the employee buys one preference share for each gratuity share he applies for. In other words, he receives two shares for the payment of one share. In many cases shares thus issued to employees are eligible for a special dividend. In one case, whenever a dividend of 5 per cent. or more is paid on the ordinary shares, the employee receives a bonus dividend at half the rate, thus making a total dividend of one and a half times the dividend on the ordinary shares. Several concerns pay extra dividends on employees' shares according to profits. In some instances concerns issue dividends to employees without the employees themselves actually holding the shares. Nominally, the firm grants so many shares to the

employees; actually the shares remain the property of the firm, but the dividend is distributed to those employees in whose names the shares stand. In some instances the employees are actually given special share scrip, but this scrip is not marketable in the same way as the ordinary shares of the company are. Practically every firm which has a shareholding scheme prescribes a maximum limit for the holdings of individual employees. Similarly, most firms make provision against the transfer of employees' shares, or, if transfer is permissible, it can only be to another employee of the same firm. In one instance employees who wish to sell their shares must first offer them to the trustees at their nominal value, plus any interest that may have accrued upon them. Fairly elaborate precautions are taken in most shareholding schemes against such transfers, *e.g.*, in one case, if an employee attempts to alienate the shares, the shares are forfeited; in another case, shares which have been transferred lose their right to the extra dividends which may be granted on employees' shares; in still another case the dividends cease if they are held by any unauthorised person. In a few cases share certificates are held in trust and not issued to the individual employees at all. Many firms arrange to purchase employees' shares themselves if the employees leave their service, although, in order to discourage employees leaving the firm in order merely to realise their money, certain restrictions are sometimes placed on this arrangement. The shares of deceased employees are usually transferred at their nominal or par value.

The voting rights of employees consequent on their holding of shares are usually restricted. In some cases the holding of shares confers no voting rights whatsoever. In others the shares may carry votes, but the votes may be given only through the trustees of the profit-sharing

scheme, or through a special committee nominated by the directors. In one case, when an employee's holding amounts to £200, he may apply to become a direct shareholder with the ordinary voting power of such a shareholder.

The proportion of capital held by the employees in most cases is only a small fraction of the total capital of the firm. In two cases, however, the report of the Ministry of Labour notes that over one half of the total is held by employees. In one other case one-fifth was so held, but of the remaining cases of which accurate information was received, the proportion was only over 6 per cent. in 5 cases, between 4 and 6 per cent. in 4 cases, between 2 and 4 per cent. in 5 cases, and less than 2 per cent. in 6 cases.

In the schemes which make provision for deposits on a profit-sharing basis by employees, the most general feature is that the firm allows a fixed minimum rate of interest on the deposits, to which is added an additional rate which varies with the profits of the firm. The fixed rate of interest is usually round about the current bank rate granted for fixed deposits, but in a number of cases the interest is one or two points higher. In a few cases, the return on the employees' deposits is the same as that payable for the year on shareholders' capital. In other instances the return on deposits is fixed at a fraction (*e.g.*, three-fourths or half) of the rate of dividend on capital, or it may be determined by a scale fixed in relation to the rate of the dividend. In a number of cases, maximum rates for the total return on deposits are fixed, *e.g.*, in one case 10 per cent., in another case 20 per cent., and still another case 7 per cent. In one case, the total rate of interest on deposits is fixed at the same rate as the dividend on capital, subject to a maximum of 10 per cent. In a few cases, the additional amount

of interest is payable at a rate equal to half the rate by which the dividend on capital exceeds the minimum guaranteed interest on deposits. In one scheme a proportion of the net profits is paid as bonus, and the employees are encouraged to save this sum by being given facilities for depositing their savings with the firm. The amount so deposited is increased by 25 per cent. with an additional rate fixed according as the rate of the dividend on the deferred share capital exceeds a certain fixed rate. In one case, the additional rate of interest, subject to certain maximum limits, is decided by the length of the employee's service.

Usually a maximum limit is laid down for deposits. Sometimes the limit is stated in actual figures, *e.g.*, £50 or £500. In other cases, the limits are fixed according to salary or wages for a certain period, *e.g.*, one year or five years. In several cases employees are given special permission to deposit lump sums. Firms reserve discretion to limit the aggregate amount of deposits. In regard to the withdrawal of deposits, most schemes allow the depositors to withdraw sums on short notice. In one case, the firm reserves the right to close the employee's account altogether if he withdraws sums too frequently. The rules of most of the schemes provide for a certain amount of elasticity for cases of emergency.

The cases in which the employees sit on the Board of Directors are few. In one instance half the directors are employees of the company, and in one or two instances a smaller proportion are directors. In the great majority, however, the employees do not become directors. In a large number of schemes there are joint committees which consist of representatives of both the firm and the workpeople, the functions of which are to discuss the various details connected with the scheme in force. These committees frequently also deal with the general

welfare of the workpeople. In some cases committees are given full power of control over the profit-sharing schemes. In one case a committee of employees decides whether any individual employee is to be allowed to participate in the scheme or not. In some other cases special committees of workmen are in existence, the functions of which are to voice the grievances of the workers, or bring other matters to the notice of the management as they think fit.

3. Analysis of Individual Schemes.

(a) *Gas Companies' Schemes.*

In the United Kingdom profit-sharing and labour co-partnership have made most headway in the gas industry. The pioneer scheme was that of the South Metropolitan Gas Company. This scheme, which has been in existence since 1889, was started by Sir George Livesey, then Chairman of the Company, and to his advocacy of the principles of profit-sharing is due the growth of profit-sharing not only in gas companies but also in general industrial undertakings. In addition to the impetus given by Sir George Livesey, the gas industry has certain distinctive features which have made it take more kindly to profit-sharing than other industries. For one thing gas supply is always a local monopoly. It also has an assured and regular market. Again, even though the supply is controlled by a limited liability company, it is a public service, and as such is made subject to the sliding scale system of dividends. As a public service, too, its employees are under certain circumstances subject to penalties for going on strike under the Conspiracy and Protection of Property Act, 1875.[1]

[1] See Bulletin No. 23 (*Conciliation and Arbitration*), pp. 71-2. Published by the Department of Industries, Government of India.

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The immediate cause of the scheme of the South Metropolitan Gas Company was actual and apprehended labour trouble. Early in 1889 the National Union of Gas Workers and General Labourers of Great Britain and Ireland was established, and shortly afterwards it began to agitate for higher wages and better conditions for employees in gas works. The South Metropolitan Gas Company, among others, was compelled to grant a number of concessions to their men, but, in spite of the concessions, further demands, which possibly might have led to a strike, were expected. The profit-sharing scheme was initiated by Sir George Livesey as a method both of forestalling the trouble at the time and of providing a permanent basis of mutual good-will in the Company.

The original scheme was as follows. The shareholders received a dividend of 10 per cent. when the price of gas was not above 3*s*. 6*d*. per thousand feet. An additional dividend of 1¼ per cent. was permissible for each reduction of one penny per thousand feet in the price of gas. The original plan of profit-sharing was to allow the employees a bonus of 1 per cent. on their years' wages for every reduction of one penny per thousand feet. The price of gas then was 2*s*. 3*d*. As an additional attraction to the men, Sir George Livesey proposed that a sum equal to what each man would have earned as bonus had the scheme been in operation for the previous three years would be placed at his credit in the scheme. This gift was to be the equivalent of 9 per cent. on one year's wages. The conditions on which the employees could enter this scheme were that each workman had to sign an agreement with the Company binding himself to work for the Company for one year at the existing rate of wages. The Company undertook to provide employment for the men during the year, and also not to alter their wages to their disadvantage during that period. At the

end of the first year, the money accruing to the employees under the scheme could not be withdrawn save in cases of death, nor, save under certain conditions, was the money to be withdrawn during the first five years; the conditions were death, superannuation or leaving the service of the Company. The money was placed in deposit with the Company at 4 per cent., and was liable to be forfeited in the case of a strike or wilful injury to the Company.

The scheme made an immediate appeal to the men. Within a week nearly a thousand employees had signed the necessary agreement; unfortunately, however, an important section of the employees—the stokers—stood out. The Gas Workers' Union was not at all favourable to the scheme, chiefly on the ground that it might lead to the destruction of the Union itself, at least so far as the South Metropolitan Gas Company's men were concerned. The Union also took objection to the agreement which the men had to sign, because the obligations of the men under the agreement placed them under obvious disabilities in regard to striking. The Union ultimately insisted that the profit-sharing scheme should be abandoned, or, alternatively, that the men who had accepted it should be dismissed. To enforce this demand a strike was called, in which practically all the stokers of the Company were implicated. The strike failed in its main object. The Company filled up the places of most of the strikers and the remainder surrendered unconditionally after about two months. Previous to the strike, as the result of a joint meeting of the Directors of the Company and the representatives of the men who had accepted the scheme, a number of alterations and concessions had been introduced. The Company agreed to abolish the clause under which an employee had to surrender the bonus in the case of a

strike or of wilful injury to the Company. The Company also agreed to pay the bonuses in cash if desired by the employees; they also made special provision for temporary men known as 'winter men,' *i. e.*, men employed temporarily during the winter months when the demand for gas is greatest. These temporary men were allowed to participate in the scheme if they signed an agreement similar to the main agreement to serve for three months.

The form of agreement in force was as follows:

Co-partnership No................ Pay No................

MEMORANDUM OF AN AGREEMENT made the...... day of..............191......, between the South Metropolitan Gas Company, by......................their authorised representative, of the one part, and.................... hereinafter called the employee, of the other part.

1. The said Company agrees to employ the said employee for a period of.............months from the day of the date hereof at one or other of the stations of the said Company, if he/she shall remain sober, honest, industrious, and performs the work allotted to him/her.

2. The said employee agrees to serve the said Company for the said period in whatever capacity he/she may from time to time be employed by the said Company at the current rate of wages applying to such capacity.

3. The said employee also agrees to obey the orders of the foreman or forewoman in charge.

4. The hours of working to be 48 per week.

5. The Company undertakes that during the continuance of this agreement the various rates of wages in force at the date hereof, and which, under Clause 2, may become payable to the said employee shall not be reduced.

6. The said employee shall be entitled to the

benefits and be bound by the rules and conditions of the co-partnership so long as he/she shall continue in the service of the Company under agreement.

As witness the hands of the parties,

For and on behalf of the South Metropolitan Gas Company.

No obstacle will be placed in the way of any employee engaged under the above contract who may wish to leave the Company's employment before the expiration of the period of service therein specified, provided he or she shall notify such wish to the engineer of the station, or superintendent of the department at or in which he or she may for the time being be employed. On receipt of such notice the engineer or superintendent shall, in his or her discretion, consider whether the services of such employee can be dispensed with without detriment to the Company, and, if so, permission will be given to leave at the expiration of the usual week's notice. An agreement may be revoked, at the discretion of the lady superintendent, if motherhood causes a woman's continuance at work to be inexpedient.

The scheme was restricted to employees who worked under the signed agreements, and officers who fulfilled the necessary rules. The Directors could refuse permission to any man to sign an agreement if they thought that he did not take a sufficient interest in the welfare of the Company or of the scheme. No restrictions were placed on the membership of the Gas Workers Union, although at one time participants in the scheme had to renounce membership of this Union.[1]

[1] The following extract from a memorandum entitled "Co-partnership after the War," submitted by the Labour Co-partnership Association to the Reconstruction Committee appointed by H. M. Government shows the results of the trade union policy :—

"The first introduction of profit-sharing into this Company was, as is well known, followed by a great strike, by which the trade union sought to prevent the

Since the inauguration of the scheme necessary readjustments have had to be made in the original starting point of the bonus scale. In 1901 the bonus to be paid in future was fixed at a uniform rate. The old rate was 1 per cent. on wages if all the bonus were withdrawn, and 1½ per cent. if half the bonus were invested in stock. The new uniform rate was three quarters of 1 per cent. on wages for every reduction of 1*d.* in the price of gas below 3*s.* 1*d.* per thousand feet. The investment of one half of the bonus in the stock of the Company was also made compulsory for all participants except the winter men, and the minimum amount of stock which could be purchased out of accumulated bonuses was raised from £5 to £10. The question of investment in the Company's stock had led to several difficulties in the development of the scheme. At first the greater part of the workers withdrew their bonus at the end of each year. In 1899, the Company made a special rule to cover these cases. It gave notice

application of the system to its members, though saying that it had no objection to the principle of profit-sharing if applied under approved conditions That, however, was about twenty-eight years ago, and there has never been any trouble with labour in that Company since. For many years past, the employees of the Company have been perfectly at liberty to join any trade unions they like The relations of capital and labour have been, and are, of the most cordial description, and during the present war especially, many changes which might have been the cause of friction have been brought about with great ease and smoothness."

Dr. Carpenter, President of the Company, speaking at a conference at Kingsway Hall, on the 4th December, 1918, also said—

" The last matter to which I must refer is the loyalty of co-partners in accepting the principle of the dilution of labour. The employment of women in gas works, including the retorts and purifying plant, was strenuously resisted by the Union concerned for many months, during the whole of which time co-partnership was endeavouring the help to win the war by doing its best to train workers to perform the tasks of the absent.

Throughout the whole weary years of war we have not had one single strike. I wonder of how many industries this could be said ! The only approach to one was when a dozen men employed in one particular branch gave proper notice and left in a proper and orderly way, rather than countenance the employment of wounded soldiers in the work of meter repairing. I have an impression that their attitude was contrary to the usual practice, and was governed rather by the Union policy than by their own feelings."

that the participants who, during the previous five years had always withdrawn the withdrawable part of their bonus, would have nothing placed at their withdrawable account at the next distribution unless they deposited with the Company a sum which by the expiry of the year would be equivalent to a week's wages. This was not enforced in the case of those workmen who could prove that they had withdrawn their bonus to invest it elsewhere. At the end of 1900, the Company compelled all the men who had withdrawn their bonus to deposit not less than 6*d.* a week in the Company's savings bank in order to entitle them to the full bonus at the next distribution. In the following year, 1901, still more stringent rules were drawn up in regard to the selling of shares and the withdrawing of the withdrawable part of the bonus. Persons who sold their stock to outsiders without the consent of the secretary of the Company were expelled from the profit-sharing scheme. Similarly those who regularly withdrew the withdrawable part of their bonus were to be struck off the list and could only be re-admitted by saving for two consecutive years an amount equal to one week's wages in each year.

In 1910 another important alteration was made. Previously one half of the bonus had to be invested in the Company's stock and the other half could either be left on deposit with the Company, invested in stock or withdrawn at a week's notice. The new rule provided that the second half should be left in the Company's hands to accumulate at interest or invested in stock with the trustees or withdrawn under special circumstances at a week's notice.

Originally the consideration of amendments to the scheme was committed to a Profit-sharing Committee which afterwards came to be known as the Co-partnership Committee. The original committee consisted of the

chairman of the Board of Directors, 17 members elected by the Board and 18 members elected by the profit-sharers, one-third of them to retire by rotation each year, but to be eligible for re-election. The committee appointed its own secretary, and two auditors, one elected by the workmen and one by the Company, were appointed to compare the workmen's pass books with the general account. Later, in 1910, the conditions of membership for the committee were made more stringent, and the numbers were increased from 36 to 54. (In 1918 the numbers rose to 82 mainly because of the representation of women workers.)

The scheme in force till 1920 provided that the committee of management should consist of the President of the Company and other members nominated by the Board of Directors, not exceeding 35 in number, with an equal number elected by the co-partners. Candidates for election had to have not less than five years in the Company's service and had to hold, and, if elected, continue to hold while in office on the committee, not less than £25 stock. Each candidate had to be nominated on special forms by not fewer than seven co-partners attached to the section for which the candidate was elected. Each of these co-partners had to hold not less than £10 stock. One-third of the elected members of the committee retired by rotation each year and were eligible for re-election. Forty members constituted a quorum: but of these 20 had to be elected by co-partners and every resolution to be binding at such a meeting had to have for its support a majority of the members of the committee present and voting upon the resolution.

The trustees of the Co-partnership Fund were the persons who, for the time being, were the employee directors together with the chairman and secretary of the Company.

The functions of the co-partnership committee were varied. In practice it acted as a sort of miniature parliament for the employees. The Committee discussed all questions which affected the employees as a whole, and, in particular, periodically revised or considered the rules of the scheme or of the superannuation fund. A very useful function of the Committee was the discussion of the grievances of individual workers, if indeed these grievances reached the Committee at all. Normally the members of the Committee smoothed away friction in the works by themselves or in informal consultation with their fellow workmen, but, if they failed, the matter was placed before the co-partnership committee. It is said that the decision of the co-partnership committee was always accepted as final by the workmen. An instance of the responsible duties performed by Co-partnership Committee is the fact that it acted as referee in cases of accidents arising from the contracting-out scheme under the Workmen's Compensation Act.

Early in the life of profit-sharing in this Company, a scheme was drawn up for the election of employee directors by the officers and workmen of the Company. At first this scheme was drawn up for three years, but, after a temporary renewal in 1901, it was again renewed in 1907 for a another period of three years. The existing scheme will hold good till 1950. The number of employee directors cannot exceed three, one of whom must be a salaried officer and the other two employees on weekly wages. The number may be reduced if the amount of stock held by the employees should decrease. Each employees' director must have been continuously in service for at least 14 years and must have held for not less than twelve months prior to the date of his election at least £120 of stock in the Company accumulated under the co-partnership scheme. The minimum qualification increases in

direct ratio to the increase in the aggregate holding of the stock by the employees on a sliding scale defined in the rules. In 1919, the present chairman of the Company, Dr. Carpenter, who was also chairman of the co-partnership committee, said that the board fully recognised the utility of the employee directors, whose knowledge and experience of the points on which they were particularly consulted was often greater than that of the ordinary directors, who were chosen because of their experience in the financial and general policy of the Company.

The Company recently started a scheme whereby the employees may deposit their savings with the Company. The new scheme supplements, but does not supersede the co-partnership scheme whereby savings may be accumulated and credited to the withdrawable side of the co-partnership account. The new account is kept in a special pass book apart from the co-partnership accounts. The minimum sum allowable for entry on this account from either wages or salary has been fixed at 2*s.* 6*d.* per week. Cash deposits are also allowable. Any portion or the whole of this money may be withdrawn at the depositor's wish provided one month's notice is given. Voluntary savings hitherto entered in the co-partnership pass books, but not accumulations of bonus, may also be transferred to this deposit account. The rate of interest allowed is 5 per cent. per annum.

In 1918, the persons employed by the Company numbered between about 7,500 to 9,100, of whom about 8,350 were entitled to a share in profits on the 30th of June, 1918, if any bonus had been admissible under the general scheme. From 1889 to 1917, a period of 29 years, the total amount paid as bonus, including the original 3 years' bonus of 1889, was close on £772,000. The ratio of bonus to wages or salaries varied from 2¼ to 9¾ per cent. For 18 consecutive years, namely from 1896 to

1914, the bonus, with one exception, was $7\frac{1}{2}$ per cent. or over. In 1918 and 1919, owing to the exceptional conditions prevailing at the end of the war, there was no bonus. The most recent available figures show that in all 5,400 employees of the Company hold stock of the Company in their own names to the nominal amount of £425,000, and in addition the trustees hold £27,000 on behalf of 6,590 employees, many of whom also have stock in their own names. The Company also holds deposits on behalf of 8,100 employees to the amount of £70,000. It is estimated that the voting power of the employees' shareholders is about 7 per cent. of the total.

The example set by the South Metropolitan Gas Company has been followed by a large number of other gas companies in the United Kingdom. The history of profit-sharing in the gas industry generally falls into two periods. The period from 1889 to 1907 was an experimental period. During this time, the South Metropolitan Gas Company's scheme was started and elaborated. By the beginning of 1907, schemes had been initiated in several other gas companies—two in London and two outside. After this time, the example of the South Metropolitan Gas Company was followed by many other concerns. The impetus given to the movement by Sir George Livesey is seen from the fact that practically all the gas companies' schemes follow the South Metropolitan Gas Company's scheme, the variations being only in matters of detail. The Report of the Ministry of Labour referred to shows that a total of 36 gas works schemes was in operation in 1918. At the beginning of 1923 the number stood at 38, and it is interesting to note that several gas companies in America have adopted the same principles.

The gas companies' schemes suffered badly as the

result of the war.[1] No less than 17 of the 31 companies for which returns are available paid no bonus in 1921, and only four paid a bonus of more than 3 per cent. The reason for their failure is that, owing to the sliding scale, the bonus varies inversely with the price of gas. Like other commodities, gas increased in price during

[1] *The following table, taken from the Memorandum (revised, January, Committee, shows the particulars of Co-partnership and Profit-*

Name of Company.	No. of years scheme has been in operation.	Capital in 1921. Total share and Loan.*
		£
South Metropolitan (*a*)	32	9,255,340
South Suburban (*a*)	28	1,609 184
Commercial	20	2,548,280
Bournemouth	13	954,000
Walker and Wallsend	13	261,440
Wellingborough	13	90,853
Tottenham	13	2,164,923
Croydon	13	1,078,489
Weston super Mare (*b*)	13	209,553
Gas Light and Coke	13	29,455,018
Grantham	12	106,068
Waterford	12	70,900
Watford	12	265,009
Wandsworth	12	1,302,295
Liverpool	10	3,049,124
Harrow	11	333,956
Hertford	10	22,609
Aldershot	11	570,000
Canterbury	11	125,870
Redhill	8	280,106
Ipswich	8	196,315
Shrewsbury	8	179,454
TOTALS	—	54,128,786

* Year ending June. † Year ending March.

(*a*) Three employees on the Board. (*b*) Figures for 1920.

The following schemes were suspended during the war, but several expect to Ilford, Leamington, Merthyr Tydvil, Rugby, Tunbridge Wells and Swansea. Ilford scheme of that Company. Longwood has been bought by the Municipality of

The Bridgewater scheme, analogous to profit-sharing, has been working for being 10½ per cent. on wages. The workers have received close on £3,000 of which

and after the war, and, unless the scale had been revised, the bonus was blotted out. In 1920 the South Metropolitan Company revised its scheme and obtained a special Act of Parliament (the South Metropolitan Gas Act) in which the principles are incorporated. This Act is notable as containing the first statutory provision

1923) submitted by the Co-partnership Association to the Reconstruction sharing in British Gas Companies at December 31st, 1921 :—

No. of employees under agreement for *Profit-sharing or Co-partnership	Amount divided among Employees for year ending December, 1921.	Amount per cent on Wages.	Total profit to Employees since scheme was adopted.	Amount of Shares and deposits held by Employees in the Company at the Market value on December 31st, 1921 (about).
	£		£	£
8,372	.	.	771,804	405,000
1,347	5,920	2	76,718	66,943
1,290	4,252*	3	100,352	75,015
426	3,209	4	30,633	25,284
83	494*	3½	5,252	5,055
74	...*	...	3,954	4,845
532	*	.	39,347	35,255
757	3,480	4†	31,007	23,477
77			2,276	685
10,050	14,963*	4?	418,036	364,197
60	235	2	3,185	1,771
23	125	2½	2,460	(c) 2,211
174	1,148	3	7,315	5,463
925	2,059	2	29,736	13,559
1,749	1,288	¾	64,454	50,816
80	510	3	4,075	1,720
29	127	3	836	600
197	1,606	6½	8,164	2,098
96	535	3½	2,859	676
74	276**	2	1,379	1,134
191	314*	1	3,006	2,717
112	492*	2½	2,271	739
26,718	71,038	...	1,609,119	1,089,260

(c) Face Value.

function again very shortly :—Cambridge, Cardiff, Chester, Eastbourne, Gloucester, has now amalgamated with the Gas Light and Coke Co., and will come into the Huddersfield and its scheme brought to an end.

11 years: for 1921 a bonus on wages of £470 was distributed among 30 workers over £1,000 is capitalised.

for co-partnership. It provides that gas shall be sold according to its calorific value, instead of by volume, and that after provision has been made for the payment of 5 per cent. dividend on the ordinary stock, and 6 per cent. on any new ordinary stock, the surplus shall be divided thus—three-fourths towards reduction in price of gas to the consumer, and one-fourth equally between ordinary stockholders and the employee co-partners. The standard price of gas was fixed at 11*d.* per therm, and it was decreed that, after the amount available for the reduction in the price of gas and the payment of dividends to stock-holders had been deducted, the remainder should be paid as bonus on salaries and wages on a uniform percentage. The trustees of the co-partnership fund were declared to be the persons who, for the time being, are the employee directors, together with the president and secretary of the company.

(*b*) *Savings or Deposit Schemes.*

Apart from gas companies, the schemes which have found most favour in general industrial undertakings are Savings or Deposit Schemes, Shareholding Schemes, and Cash Bonus schemes, the last of which at the moment is the most popular.

A type of profit-sharing scheme of which there are a few examples in Great Britain is that which encourages the employees to accumulate savings by depositing them with the firm. The basis of the type of scheme is that the firm or employer receives the savings of the individual employees, and deposits them at each employee's credit, guaranteeing a permanent minimum rate of interest, irrespective of profits, with an additional rate payable on a fixed scale if the profits exceed a certain specified amount.

Two examples of this type of scheme may be shortly described. The first is that of Sir W. G. Armstrong, Whitworth and Co., Ltd., the other that of Messrs. Fox Bros. & Co., Ltd., Woollen Manufactures, Wellington, Somersetshire. Both these schemes have been in existence for long periods. Indeed, the scheme of Messrs. Fox Bros. which dates from 1866, is one of the oldest in existence in the United Kingdom.

The scheme of Messrs. Armstrong, Whitworth & Co., has been in existence for over 40 years. In 1878 Sir Joseph Whitworth started a scheme at Openshaw, Manchester, by which he gave facilities for his workmen to invest part of their wages in the firm, on the understanding that their savings thus invested would receive the same dividends as he himself got on his own capital. At this time, the firm was a private one, but in 1888 it was converted into a limited liability company. The company took over the obligations of Sir Joseph Whitworth in regard to the scheme. Amounts of not less than one shilling and more than £1 taken from the weekly wages of the individual employee could be deposited every week with the Company. On the declaration of the annual dividend by the Company the amount standing at the credit of each individual depositor was eligible for dividend at the same rate as the ordinary shares of the Company. The interest accruing under the scheme was placed at the credit of each depositor and added to his principal. Provision was made for the withdrawal of deposits under certain conditions, and persons leaving the service of the Company were repaid their deposits with interest, at the expiration of fourteen days.

When Sir Joseph Whitworth & Co., was amalgamated with the firm of Sir W. J. Armstrong, Mitchell & Co., in 1896 (the new name of the firm was Sir W. G.

Armstrong, Whitworth & Co., Ltd.), the profit-sharing scheme of Sir Joseph Whitworth was taken over by the amalgamation, and made applicable to the whole Company, and some new rules were introduced. These rules, in substance, are the basis of the scheme at present in force. Deposits of not less than one shilling and not more than £1 of the employees' weekly wages are still received as in the earlier scheme, but a maximum amount of £200 is prescribed as a limit of each individual deposit. In the case of higher-paid officials, who are paid quarterly, the weekly deposit and the maximum amount which may be deposited are £2 and £400. The directors themselves have the right of fixing a limit to the total amount which may be received. The deposits receive a fixed interest at 4 per cent., and each half year a bonus equal to half the difference between the fixed rate and the dividend payable on the shares of the Company is added, but the interest and the bonus together must not exceed 10 per cent. The interest and bonus are added to the principal lying at the credit of the depositor's account, unless the depositor gives notice under the rules to withdraw the sum in cash. Deposits may be withdrawn up to one half on seven days' notice, or up to the whole on fourteen days' notice, although, in special circumstances, the provisions regarding notice may be dispensed with. Employees leaving the firm, as before, may be repaid their bonus after the expiration of fourteen days.

The extent of Messrs. Armstrong, Whitworth's scheme may be seen from the total amount of bonus paid in 1918—£17,187. At the end of December, 1918, the total amount of deposit with the Company on behalf of the employees was a little short of £600,000. This huge sum was reached in the war period, but the non-war figures are equally striking. In 1901 the amount

of the investments was £124,306, in 1905, £195,500, in 1910, £237,852. The total swelled rapidly in the war years, and in 1921 the amount was £386,950. In 1921 there were 4,154 depositors, including 479 women.

It is also stated that the employees of Messrs. Armstrong, Whitworth have made investments in the securities of the Company, apart from the profit-sharing scheme. These investments, however, are made upon the same terms as in the case of the general public. Messrs. Armstrong, Whitworth's scheme does not provide for full co-partnership.

The scheme of Messrs. Fox Bros. & Co., was started in 1866, when a plan was introduced of receiving from the workpeople sums of money on deposit at a rate of interest not less than 4½ per cent. and not more than 10 per cent. These limits, however, might be varied according to a certain scale fixed according to profits. Any sum up to £50 was repayable by the firm on seven days' notice; sums above £50 were repayable on two months' notice. In the present scheme, the additional rate of interest fixed according to the scale of profits is allowable only on investment accounts, that is, amounts of £5 or upwards. Small sums left in the savings account of employees receive only the fixed rate of 4½ per cent.

The above rules governed this scheme up to 1916, when the amount withdrawable on seven days' notice was raised to £100, and one month's notice only was required for the withdrawal of sums over £100. A limit of £400 in the case of ordinary work-people, with a higher limit in the case of foremen, is set on the amount which can be invested by individual depositors. Sums over these limits may be deposited with the firm; but they receive only a fixed rate of interest—5½ per cent.

The number of workpeople in the employment of Messrs. Fox Bros. & Co., in 1918 was 1,123, of whom 622

were men and boys and 801 women and girls. In 1918 there was a very considerable increase in the number of employees taking advantage of the scheme. The total deposits of the employee depositors amounted to the large sum of £60,600, exclusive of deposits above the limit mentioned, which receive fixed interest at the rate of 5½ per cent.

This scheme is one of the most interesting in the United Kingdom, owing to its long and continuous history. Originally, it arose out of the custom of the management of granting cash bonuses to the employees according to profits; but since 1866, the scheme has had a definite standing of its own. The scheme seems still to receive the full support of both the managers and the employees of the Company.

(c) *Shareholding Schemes.*

To come within the purview of profit-sharing, the acquisition of shares by employees must be controlled by the firm itself, and the shares themselves must be granted either gratuitously or on specially favourable terms. The schemes actually in force in the United Kingdom show that the shares may be either ordinary or preference shares equivalent to those issued to the public at large, but issued on special terms to employees, or special shares, different from shares issued to the public. Such special shares are limited to the employees only, and the holding of those shares does not necessarily confer upon the employees the same rights and privileges as are possessed by ordinary shareholders.

Of this class of profit-sharing schemes, there are four sub-divisions:

(*a*) Schemes based on the distribution of a bonus, either the part or whole of which is retained

by the firm for the purchase of shares in the capital of the firm itself;

(*b*) schemes in which the bonus is itself given in the form of shares in the firm;

(*c*) the issue of shares to employees gratuitously; and

(*d*) the issue of shares to employees on special terms.

The first two classes are sometimes called labour co-partnership as distinguished from profit-sharing, but for our purposes they may be classed under the double title of Profit-sharing and Labour Co-partnership. The bonus in the last two of these classes consists in the dividends payable on the shares issued to the employees. In these schemes the firms do not first issue a bonus and then capitalise it for the purposes of the purchase of shares.

Four examples of shareholding type of profit-sharing may be described. The first is that of Lever Brothers, one of the best known examples in existence; the second is that of Bradford Dyers Association, Ltd., a large concern which employed in 1918 close on 10,000 persons; the third is that of Foster Sons & Co., a small concern; and the fourth that of Messrs. J. T. and J. Taylor, Ltd., one of the oldest of such schemes in England.

The scheme of Lever Brothers, Ltd., has been in operation since 1909. It applies to the employees in the main firm at Port Sunlight, Cheshire, and to the associated companies both in England and abroad. The initiation of the scheme was due to Lord Leverhulme, who for many years has been known as one of the most enlightened and sympathetic employers of labour in England. The main object of the scheme, according to Lord Leverhulme himself, was not profit-sharing properly speaking, but co-partnership in prosperity.

The basis of the scheme is contained in a legal deed

known as the Co-partnership Trust in Lever Brothers, Ltd. The trustees are the directors for the time being (except Lord Leverhulme and the Hon. W. Hulme Lever) or such of them as are willing to act. The trust deed does not create a partnership in law between the Company and any of the interested parties. Its main features are as follows. Every director of any length of service or age, and every employee of good character who is not less than 22 years of age and has a clear record of at least four years' service with the Company, or in any of the associated companies, may have issued to him from time to time partnership certificates upon terms laid down in the Co-partnership Agreement. The employees undertake to be bound by the provisions of the scheme and not to waste time, labour, materials or money in the discharge of their duties, and loyally and faithfully to further the interests of the Company. The holder of the majority shares of the Company (Lord Leverhulme himself) is entitled to issue certificates to any director or employee, whether or not he or she complies with these main provisions. The certificates are issued on the first day of each year. Partnership certificates confer the right to dividend which is specified in the Company's articles of association. After payment of preference dividends and of a dividend of 5 per cent. upon ordinary shares (all of which are held by Lord Leverhulme and his family), any further sums available for distribution as dividend are paid to the trustees of the Co-partnership Trust. Five per cent. per annum is paid upon the preferential certificates of the Trust, after which the surplus profits are divided between the holders of the ordinary shares of the Company and the trustees of the Co-partnership Trust. The relative amounts payable are fixed by the relation which the total amount paid up on the issued ordinary shares for the time being bears to (*a*) the total nominal

amount of partnership certificates issued and outstanding and (*b*) the 5 per cent. cumulative preferred ordinary shares standing for the time being in the names of the holders of the partnership certificates. The partnership and preferential certificates are issued for sums of £1 or multiples of £1; but in no case may certificates for a nominal amount of more than one million pounds be issued or outstanding at any time, except with the consent of the holder of the majority shares of the company.

The employees admitted to receive partnership certificates, and also the nominal amount of the certificates, are determined by the trustees. The trustees may, if they think fit, refer the case of any employee for consideration to the Committee, in order to determine whether the employee is qualified for the certificate, and also to fix the amount to which he is entitled. The employee is entitled to appeal from the decision of the trustees to the holder of the majority shares of the Company, who may issue the final decision. In practice, the allotment is based on value of service; special allotments are made for special service and helpful suggestions.

The nominal amount of partnership certificates which either directors or employees may receive is limited according to their rank and salary. Once the co-partners are admitted to the scheme, they receive annually further certificates proportionate to salary or wages, till they reach the maximum, which varies from £200 to £3,000, according to their annual earnings. Certificates may be cancelled under certain conditions. In the case of a director, the certificate may be cancelled if, in the opinion of the holder of the majority shares in the Company, he is guilty of neglect of duty, dishonesty, intemperance, immorality, flagrant inefficiency, disloyalty to his employers and such like. For similar offences, the certificate of

an employee may be withdrawn by the trustees. Ample provision is made for full analysis of each case and for appeal. Certificates may be cancelled also in cases of voluntary retirement or resignation before the age of 65, not caused by permanent incapacity to work caused by ill health in the case of a man, and 60 in the case of a woman. They are also cancelled in the case of retirement at these ages and at death, and if, during the life of either a director or an employee, any act or event happens whereby the partnership certificates held by him under the scheme, if belonging absolutely to him, would become vested in some other person or corporation.

The preferential certificates are really partnership certificates issued under special conditions. When a co-partner reaches the age of retirement, or has to retire before that age through no fault of his own, the ordinary partnership certificates are converted into preferential certificates. These preferential certificates also yield 5 per cent. interest, and rank for dividend after the 5 per cent. paid on the ordinary shares of the Company. The nominal amount of a preferential certificate is either ten times the average dividends paid during the three preceding years on the holder's partnership certificates, or the same nominal amount as that of the partnership certificate which has been converted, whichever is less. Preferential certificates may also be issued to the trustees for the support of institutions which serve the company's employees, such as schools, clubs, churches or parks, or for the granting of scholarships to the children of employees. These preferential certificates, like partnership certificates, are subject to cancellation—

(1) in the case of the death of the holder (but the certificates may be continued for the widow);

(2) in case the holder enters into employment in any business without the consent of the trustees;

(3) in the case of a widow, if she marries again ;

(4) if the preferential certificates would become vested in some other person or corporation ; and

(5) if the holder is guilty of various offences, such as dishonesty and intemperance.

A committee, which consists of three persons nominated by persons of the management class, three persons nominated by the salesman class, three by the staff class, and three by holders of preferential certificates, manages the scheme. The constitution of this committee provides fairly stringent regulations for voting. No resolution of the committee is carried unless it is supported not only by a majority of the members of the committee voting individually, but by a majority of the different sections of the committee represented at any meeting, *i.e.*, the vote of each section of three members must be given in accordance with the decision of the majority of the representatives of the section present at the meeting.

When the scheme was started in July, 1909, 1,041 employees, including directors, managers, salesmen, travellers, clerks, workmen and labourers, were given certificates of the nominal capital value of close on £114,000. The original certificates were made retrospective, so that the original employees were given the benefit of the number of year's service they had in the firm. The dividends on the partnership certificates were first credited to the holders in a savings bank account. They are now paid in the form of 5 per cent. cumulative preferred ordinary shares. The holder can sell them at any time at par value for cash; but, so long as the shares are held by the co-partner to whom they were originally allotted, they also participate further in profits, to the extent that they yield him the same rate of interest as that paid to ordinary shareholders.

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The number of co-partners in 1921 was 8,336. In 1914 the total number in both Port Sunlight and the associated companies in England and abroad was only 2,794, which increased to 3,490 in 1915. Of the employees at Port Sunlight, about 40 per cent. were co-partners in 1918. On the 1st January, 1918, the dividends for the year 1917 amounted to close on £120,000 ; the total dividends paid for 1920, amounted to £255,980. In the 12 years of co-partnership, up to the end of 1920, the sum of £1,097,587 was distributed under the scheme. The nominal value of the ordinary and preferential certificates issued and outstanding has more than trebled itself since 1915 (the figures rose from £442,695 to £1,399,423).[1] It may also be noted that, in 1918, although the business was started only in January, 1886, no less than 154 employees of the firm had completed 25 years' service, and 1,281 had completed 15 years' service.

During the year 1922-23, Messrs. Lever Bros. further amplified their co-partnership policy by the adoption of schemes of group unemployment, of life insurance, and of sick benefit. The Company have arranged with the Atlas Assurance Co., Ltd., with effect from the 1st October 1922, to insure in groups members of the staff who are co-partners. The groups are arranged in three grades, ranging from the youngest co-partner on the staff up to and including the directors. In group 1 the insurance in case of death or disablement ranges from a minimum of £100 to a maximum of £1,000; in group 2 from a minimum of £200 to a maximum of £2,000, and in group 3 from a minimum of £400 to a maximum of £4,000. At the last annual meeting of shareholders,

[1] At the last annual general meeting of Lever Brothers, Ltd., held on April 12th, 1923, Lord Leverhulme stated that the nominal value of the co-partners' capital already amounted to over £2,000,000, "and we hope, of increasing value every year."

held in April, 1923, Lord Leverhulme announced that the total value of the policies issued under the scheme was £985,600, covering 7,155 members of the staff. The unemployment scheme also applies to co-partners, both men and women, in the employment of Lever Bros., or associated companies, working within a radius of two miles from the centre of Port Sunlight. This scheme, like the life insurance scheme, came into effect on the 1st October, 1922, and the directors propose to extend its operations beyond the area in which it has been commenced, if they feel justified in doing so. The unemployment and sickness relief schemes are both based on the principle of grading by groups, according to efficiency, in the particular section in which the member of the staff is employed. The unemployment scheme provides that, during any period of unemployment, or, in Lord Leverhulme's words, "suspension from employment," arising from any cause, such as slackness of trade, to which, in the opinion of the Company, a co-partner has not either directly or indirectly contributed, the Company will pay to the co-partner, *ex gratia*, a sum, which, in addition to the state allowance for unemployment, will yield an amount equal to half the standard weekly rate of wages. The sickness relief scheme provides for the payment of an equivalent sum to co-partners who are prevented by illness from working at least seven consecutive days. The payment may continue for four weeks, and the Company decides whether it is to be paid for longer periods. A temporary scheme was also introduced during 1923 to provide similar alleviations in the case of co-partners being forced to work short time. No medical examination is necessary in these new schemes.

Messrs. Lever Bros.' scheme of co-partnership is notable for several reasons, the first of which is that it exists in

one of the largest competitive businesses of modern times. It is notable also for its own particular features, one of which is that an employee, to become a co-partner, must be specially recommended by the heads of his department after a certain period of service. The scheme itself is also a liberal one insomuch as not only does it give a good return to the co-partners, but it has also been amplified to alleviate most of the disabilities under which employees work in either good or bad times. The scheme has also led to a decision which is of considerable importance in the history of trade unionism.

Messrs. Lever Bros. have not made participation in their scheme conditional on membership or the lack of membership of trade unions, and, in common with other profit-sharing and co-partnership systems, they have frequently been condemned at trade union conferences. At a recent Easter Conference of the National Union of Distributive and Allied Workers, held at Southport, on the motion of the Cheshire and North Wales Divisional Council (which includes Port Sunlight), a resolution was passed to the effect that the time had arrived when the general trade union movement should declare itself against any form of capitalist co-partnership, on the ground that the capitalist attempt to introduce certain forms of co-partnership was designed to mislead the workers and prevent trade union solidarity. This resolution is interesting when read with the decision of the House of Lords against the Carpenters' and Joiners' Trades Union, which wished to expel certain members employed at Port Sunlight if they continued to be co-partners in Messrs. Lever Brothers' scheme. The carpenters and joiners employed by the firm contested the decision of the union in the courts, and the case was finally decided by the House of Lords in favour of the co-partners; and injunctions were granted against

the trade unions restraining them from expelling the threatened members. In that case it was decided that there was nothing in the rules of the unions to prohibit their members taking the benefit of the co-partnership scheme. But in the same connection it was also decided, against the contention of the unions, which held that a member of a trade union who has been expelled for whatsoever reason must submit to the expulsion without right of redress in the courts of law, that, where a member of the union has been expelled for reasons which the rules do not justify, he can take his case to the courts and obtain reinstatement. This decision, of course, is of much wider importance than the mere issuing of the injunctions against the unions which proposed to expel the individual members who appealed.

The scheme of the Bradford Dyers Association was started in February, 1912, when the Company voted a sum of £5,000 to be distributed as a bonus on ordinary shares held by the employees, so long as the employees remained in the employment of the Company. In the original scheme no bonus was payable if the dividend on the ordinary shares fell below 5 per cent. If, however, the dividend was 5 per cent. or above, the bonus payable was 5 per cent. on holdings of shares not exceeding one thousand £1 shares. The rate on holdings above £1,000 was lower. At the initiation of the scheme, no individual employee without the consent of the managers of the fund could register shares for bonus purposes in excess of the amount of his pay for the two years preceding. Originally employees were enabled to buy double the number of shares they could pay for immediately. Six years later, in February, 1918, the scheme was revised and placed on a permanent footing. The bonus is now determined according to the rate of dividend payable on the ordinary shares. If the dividend is under 5 per cent. the

employees who are shareholders still get no bonus; but if it is over that rate, they receive a bonus equal to half the rate of dividend including the bonus dividends, *e.g.*, in the last division of which figures are available the dividend on the ordinary shares was 17½ per cent., and the employee shareholders received a total of 26 per cent. on their shares, which represented a bonus of 8½ per cent. in addition to the ordinary dividend paid to the shareholders. In the reorganisation of 1918, the shares held by employees under the previous scheme were transferred to the new scheme, but a new maximum initial amount which any employee could hold was introduced. Each employee entering the scheme is now entitled to as many shares as at par value would be equal to three-fourths of his average annual pay during three previous years. Additions to the number of shares he may hold are regulated by the rule that they may not exceed one-fourth of his pay in the year to which the application applies. The maximum amount that any employee may have at any date may not exceed the total of his pay for the previous five years, and the maximum number of shares registrable by all the employees collectively must not at any time exceed 400,000.

Employees paid £250 a year or less may possess either preference or ordinary shares. Other employees may have ordinary shares only. The reason given for this differentiation between the lower- and higher-paid workmen is that experience has proved that the lower-paid workmen hesitate to place their savings in shares the value of which may fluctuate considerably from year to year.

All employees who have a minimum of three years' service with the firm are eligible for shares, and all grades of employees, barring the chairman, managing directors, and the members of the executive committee of directors are eligible for participation in the scheme. Both the

ordinary and preference shares are of £1 nominal value; but they must be entered on the bonus register in multiples of ten. The employees are still allowed to acquire twice the number of shares for which they can immediately pay.

The right to bonus ceases if the employee sells his shares or leaves his employment, either by death or otherwise. Provided that the number of shares does not exceed 10 per cent. of the total authorised maximum, an employee who retires after reaching the maximum age, or from infirmity at an earlier age, is allowed to remain on the register during his life, or for a shorter period if so desired.

In 1918 the Company voted the sum of £100,000 for the acquisition of shares for presentation to employees who were then serving or had served in His Majesty's Services. Counting the shares held by these employees, the last available return shows that 3,600 employees held shares in the Company to the total nominal value of close on £300,000, or 5·57 per cent. of the total paid-up capital. For the management of the scheme, the Company does not have a separate joint committee, but for many years they have had a special agreement with the trade unions concerned, and they also set up a wages board in 1899, the functions of which are very similar to those of the joint committees recommended in the Whitley Reports. The firm has reported to the Ministry of Labour that the scheme has proved satisfactory both to the firm and to the employees. They say that it has called forth extra zeal from many of their employees, although they say they cannot give individual instances of it. They also consider that the scheme is tending to make employees stay longer with the firm.

In the scheme of Messrs. Foster Sons & Co., decorators, furnishers, etc., of Burnley and Padiham, the

employees not only possess part of the capital, but also share the control of the business. The firm is a small one; in 1918 it employed only 43 persons. Originally it was a private firm, but in 1903 it was converted into a joint-stock company. Before the conversion, a profit-sharing scheme was in vogue, by which a bonus was paid to the employees after a fixed rate of interest had been paid on capital. In 1903 an association of the employees was formed to enable them to acquire an interest in the capital of the firm and also a share in its control. This association was registered under the Industrial and Provident Societies Act, under the title of Fosters' Employees, Ltd. The articles of association state that the directors are required to retain one thousand £1 shares for issue to the employees' society. After provision is made for a reserve fund, the profits of the Company are to be divided thus. The shares, in the first place, receive an annual dividend at the rate of 5 per cent. per annum, the deficiencies of one year being made up by excesses in succeeding years. After this capital charge has been paid, the remaining profits are divided in the following proportions:—one-tenth goes to the employees' society for its common fund, and four-tenths to the society to be applied for the purchase of shares in the Company and for the benefit of the employees. Of this four-tenths the Company declares how much is paid as a bonus on the wages or salary of each of the employee who is a member of the society, and how much is paid as a bonus to non-members of the society collectively. The amounts thus paid must be strictly in proportion to the wages or salaries paid. One-fourth of the remainder goes to the manager or managers for the time being, and the remaining one-fourth to the ordinary shareholders as an additional bonus. For every hundred shares held by it, the employees' society is entitled to nominate one

delegate to attend the general meetings of the Company; but the society is only allowed one vote at such meetings. The number of directors of the Company, which must be not less than three and not more than five, consists of the partners in the original firm, and a third person appointed by them. If the employees' society holds at least one-tenth of the share capital of the Company issued for the time being, it is entitled to appoint one of its members, whether he is a shareholder in the Company or not, as a director, and, if the holding of the society increases to one-fifth, it may nominate an additional director. In this case, the total number of directors must be five.

All sums received by the employees' society are to be treated as capital and invested in a specified manner and credited in the books of the society thus :—

(*a*) Each member of the society is credited with the amount which the Company declares as paid as bonus on his wages or salary, and whenever there is a sufficient sum at his credit, enough is transferred to his share account to enable him to obtain a fully paid-up share in the society ;

(*b*) The bonus of wages of employees who are not members of the society is credited collectively to the non-members' provident fund, and is administered as a trust for the benefit of those employees or for their wives, children, widows or other dependants ;

(*c*) Sums paid by the Company to the common fund of the society are applied to educational, social, provident, propagandist and other purposes for the benefit of the members of the society and their families.

The capital of the society is invested in fully paid-up

shares in the Company, so long as these shares can be acquired by allotment at par. If authorised by a general meeting, the committee of the society may invest further capital in the purchase of additional shares or debentures in the Company at the current market rates. The accounts of the society are balanced annually, and its investments valued by the committee. Any deficiency in the investments is set off as so much loss to the society, but any gains on the investments are placed to a reserve fund until this reserve fund is equal to one-fourth of the nominal value of the society's investments. Surplus sums are reckoned as profit.

From the profits of the society, the share capital in the first place receives interest at the rate of 5 per cent. per annum, whenever the profits warrant the payment of such a dividend. Surplus profits are applied to the following purposes:—

(*a*) Paying the employees of the society a dividend upon their wages or salaries received from the society during the year, at the same rate as the dividend on wages paid by the Company for the same period;

(*b*) If any surplus remains for the formation of a reserve fund, it may be applied, by a resolution of a general meeting on a recommendation of the committee, to meet contingencies;

(*c*) The payment of any arrears on shares which in previous years have not received the 5 per cent. dividend;

(*d*) Paying the committee for their services; and

(*e*) If a surplus remains, paying in cash a further dividend for the year.

Out of the total subscribed capital of the company, 749 out of 3,479 shares of £1 each are held by the

employees' society. The society, thus, is entitled to one-fifth of the votes at a general meeting of shareholders, and to two seats on the board of directors.

The profit-sharing scheme of Messrs. J. T. & J. Taylor, Ltd., was started in 1892 by Mr. T. C. Taylor, sole partner in the business. The original scheme was confined only to managers and foremen; but in 1896, when Mr. Taylor's business was converted into a limited liability company, a new scheme was started, which, as amended in 1909, now stands as follows. Messrs. Taylor, whose works are in Batley, manufacture men's and women's wearing materials, and, as the Labour Co-partnership Association points out, are therefore "engaged in an industry subject to the most extreme variation of fashion."

After due allowance has been made for depreciation, any profit made, after payment of 5 per cent. on the capital, is divided between capital and labour according to their respective amounts; for every 1 per cent. more that can be paid to capital, 1 per cent. dividend on wages is paid to labour. Every worker who has been employed during the whole of the previous year is granted a bonus proportionate to his or her wages. Employees who are not less than 21 years of age, and who have served the Company at least 5 years, and own shares equal in amount to a half year's wages, are granted double bonuses. The bonus is given in the form of fully paid shares of the Company. These shares make the holder eligible for payment in cash of the dividend declared in the following year. Part of the total wages paid to workers who have not qualified for participation in the bonus, *i.e.*, those who have not served the firm for the whole year, is reckoned in the total amount of wages which ranks for bonus, although the individual employees are not eligible to receive bonuses themselves. The amount arising from such bonuses is placed to the

credit of a special fund called the Worker's Benefit Fund.

The bonus shares do not carry the right to vote; but by possession of them the owner is entitled to the same rate of dividend as other shareholders of the Company, and in the case of the winding up of the Company, he is entitled to share at the same rate in the assets. Only employees of the Company may hold shares, and an employee must have a holding equal to his year's wages before he can sell any of his shares. Once he possesses this amount, he may, if he cares, sell any surplus above that limit. If an employee leaves the Company's employment, he must sell his shares within six months, but special provision is made to prevent employees leaving in order to realise money. The Company do not undertake to transfer shares until three months after the employee has left.

The results of Messrs. Taylor's scheme show that up to the end of 1920 the bonus averaged just over 10 per cent. and the dividend on capital just over 12 per cent.[1] This average includes two years in which no profits were declared. The firm normally employs about

[1] The following table shows the relation between the dividends on shares and wages:—

In respect of 1895, two fully paid £1 shares were paid to each of the employees who had earned 20*s*. per week or more, and one £1 share to the rest.

	Cash Dividend % on shares	Dividend % on Wages given in the shape of shares.
For 1896	7½	3
„ 1897-98	*Nil*	*Nil*
„ 1899-01	9½	5
„ 1902-03	12	7½
„ 1904	14½	10
„ 1905	14½ 5 bonus	10 5 cash bonus.
„ 1906	14½	10
„ 1907	12	7½
„ 1908	9½	5

2,000 workpeople, about half of whom are men and the other half women and girls. The total amount paid to the workers in cash, bonus, shares, dividends on the shares and allocations to the Workers' Benefit Fund has amounted to the large sum of over £500,000. The workers now own over half the capital of the firm and receive three-fourths of the profits. During, and after the conclusion of the war, the firm paid the dividends in war loan and cash. In a report given by the Company to the Ministry of Labour, a case is quoted in which a man who had worked for the Company for 20 years, and had averaged about thirty-five shillings a week in pay during that time, had for the 20 years of his service received an annual addition to his income in the form of bonus of nearly £31-10-0. This bonus represents a very considerable gain to the individual workman, and it is not surprising that the Company reports that the scheme has given satisfaction to their workpeople. It is, indeed, one of the most successful in existence, even although it does not fulfil the ideal of co-partnership, that the holders

	Cash Dividend % on shares.	Dividend % on Wages given in the shape of shares.	
For 1909-10	12½	*7½	
„ 1911	15	*10	
„ 1912	12½	*7½	
„ 1913	10	*5	
„ 1914	12½	*7½	
„ 1915-16	12½	*12½	5 in shares. 7½ in 5% Exchequer Bonds or War Loan.
„ 1917-19	5 in 5 per cent. Exchequer Bonds or War Loan. 17½	*12½	
„ 1920	17½	*12½	In cash, except that newer workers got 5 in shares.
„ 1921	15	*10	

* Double this dividend to those not less than 21 years of age, who had been with the company at least 5 years, and owned shares equal to half a year's wages. For 1915-18 the double dividend of 25% was given 5% in shares and 20% in 5% Exchequer Bonds or War Loan.

of the shares should have a right to vote at shareholders' meetings.

The Company recently formed a co-partnership committee with the object of consulting the workpeople through their representatives on matters concerning their comfort and welfare. This committee is composed of six directors, the secretary of the Company, ten representatives of the staff, nominated by the Directors, ten foremen, elected by the foremen, and ten workers elected by the other workpeople. The committee has also an education sub-committee which superintends the education of workers under sixteen years of age. Under the superintendence of this committee it was reported in 1918 that 98 of these young people were attending continuation classes in the day time. A number of sub-committees has been formed to deal with individual questions, *e.g.*, safety, welfare and canteens.

Quite recently Mr. Austin Hopkinson introduced a scheme into his works, the Delta Mining Machinery works at Guide Bridge, Lancashire, which professes not merely to share profits with the workmen, but actually to reduce the owner's own profits. Behind every other profit-sharing scheme is the idea of increased production and increased gain for everybody. After trying the experiment of working shorter hours and paying higher rates than were customary in the same trade in the district, Mr. Hopkinson decided to go a step further. The spirit and the practice of his scheme will best be judged from the following quotation from a pamphlet on the subject issued to his employees :—

"But the obligation is still upon me to make further experiments in the interests of the trade, and so we are now about to adopt a very bold policy that can only be successful if I have the whole-hearted assistance not only of the employees at these works, but also of the societies

I feel very strongly that if we can make profit-sharing a real success here, the effect on the whole trade will be altogether out of proportion to our comparatively small size. The scheme outlined below will, you must notice, introduce an entirely new principle in industry—the definite limitation of the income of the employer to an amount, in this instance, less than I actually received before the war and undoubtedly very much less than what I might now obtain if I wished to do so. Please do not think that this voluntary surrender is an advertisement, for it is not so. It is simply an attempt to make people think clearly what a small and insignificant thing money is. I now lay down the principle that I do not want more than a certain amount for my own use (an amount much less than I am capable of earning) and a certain amount to give away. This is no matter of dictation to other people, for it is fully understood that there are many things I ought to do which are not obligatory upon other employers. In such matters as these every man must judge for himself.

So you will see in the following scheme, after a certain point has been reached, increased profits do not add to my income. For the scheme increases your share as compared to mine in a continually greater ratio up to a point where the whole of the increased profits go to you.

If we reach that point, I propose to consider further industrial experiments, either in the direction of giving you part (possibly eventually complete) ownership of the business, or in the direction of co-operation by which the industry which buys our products will benefit. I reserve the right to modify the scheme accordingly. For the present, however, I wish to impress upon you the importance of making profit-sharing successful. If our experiment fails, other employers are not likely to

make moves in the same direction, but if we succeed we shall help forward the cause of progress.

Now for the scheme. After a great deal of consideration I have come to the conclusion that I must take upon myself the whole risk and not introduce qualifying safeguards which might perhaps hinder us.

1. Profit-sharing is to begin on March 1, 1920.
2. The basis rate in the case of all men now employed here shall be the rate they are now receiving. But in the event of the profits being below £1,000 per annum, the basis rate may be reduced to the district rate.
3. The hours of work are to be 44 per week.
4. Overtime is not to be worked except in an emergency.
5. Profits mean the nett profit after paying all charges, commissions, rates, taxes, depreciation, and 5 per cent. on capital.
6. If the profit is at the rate of £1,000 per annum, I take $\frac{9}{10}$ and you take $\frac{1}{10}$. On the second £1,000 I take $\frac{8}{10}$ and you take $\frac{2}{10}$. On the third £1,000 I take $\frac{7}{10}$ and you take [illegible]. And so on.
7. An estimate of the rate of profit will be made every month, and the whole amount due to you will be paid during the next month as far as possible with reasonable caution. For it must be understood that a certain amount must be held back until the half-yearly audit in order to avoid the risk of paying out more than is actually earned.
8. Participation in any industrial dispute directed towards the improvement of wages or working conditions will prejudice you in no way, if it is authorised by the recognised officials. But

I reserve the right to cancel the whole scheme if there is a stoppage of work on political grounds or in opposition to the orders of the union authorities.

9. I retain the right to fix day rates above the basis rate in the case of men who have special responsibilities in connection with their work, and may therefore be considered to contribute in a special degree to the prosperity of the business.
10. I shall also fix the rates of remuneration for the management, office, and outside staffs.
11. Each man will share equally in the profit.
12. Apprentices under 18 will be entitled to half of a man's share. But part, or all, of the apprentice's share may be retained and invested for him if, after consulting the Shop Committee, I am of opinion that such arrangement would be for his benefit.
13. I will give a certificate each month as to the profits earned and distributed, and the employees shall be entitled to appoint two of themselves at any time to examine the books of the business and to meet the auditor.
14. For the present, at any rate, I reserve absolute rights in respect of the engagement or dismissal of men, but these rights will be exercised after consultation with the Committee.
15. If any man loses time, he will still be paid his share of the profits on the supposition that he has been absent owing to illness or other unavoidable cause. If, in my opinion, after consultation with the Shop Committee, he is losing time without good reason, he will be liable to be dismissed.

16. The number of apprentices will be limited to the number we can really train and make into first-class craftsmen.

Now I think the above clauses deal with every important point; but if anything else turns up, I think we know one another well enough to be able to settle it to our mutual satisfaction. My general policy will be to hand over to you more and more responsibility, but you will understand that I must be cautious, not for fear of my losing money, but for fear that the experiment may fail."

Mr. Hopkinson's scheme is only transitional. After 14 months' working, the scheme showed an average bonus to the men of 20*s*. a week. There is a Shop Committee, and the workmen are also enabled to take shares in the business.

4. Other Forms of Profit-Sharing.

(*a*) *Municipal Profit-Sharing.*

In their memorandum submitted to the Re-construction Committee, the Co-partnership Association asked the Government to recommend co-partnership to municipal bodies carrying on public utility services. The possibility of such development has not yet appealed to many municipalities in Great Britain, but the fact that there are a number of successful instances shows that the principle of co-partnership can be applied to municipal undertakings. The first profit-sharing scheme established in connection with municipal-owned services was that of the gas and the electricity departments of the Stafford Corporation. This scheme was started in 1900 and its main provisions were (1) when the total cost of manufacture and distribution of gas was less than 11*d*. per

thousand cubic feet of gas sold, a bonus equal to one-fourth of the difference between this sum and the actual cost was to be divided among the workmen and staff who had been employed in the gas department for not less than three months during the year when the bonus was earned ; and (2) in any year in which special charges, such as for main-laying operations, were charged against revenue instead of against capital, the amount of those charges were to be deducted from the manufacturing and distributing charges in addition to the net cost of coal, rates and taxes, and depreciation. Effect was also given to the profit on gas fittings. The bonus of the Stafford scheme in 1916 amounted in all to 11·68 per cent. on the wages paid. The amounts distributed from 1900 to 1915 varied from *nil* to 10·98 per cent. on wages. The dividend in the electricity department was 15 per cent. in 1915. Owing to the exceptional conditions created by the war, the dividend on wages was merged in the general increase of wages and the profit-sharing scheme, for the time, became dormant.

Municipal schemes were started in 1914 in Burton-on-Trent for the employees in the gas and the electricity departments, and in 1911 in Belfast for tramway employees. The Belfast scheme provided for the allocation to labour of a share of profits not in accordance with the wages paid but per employee. The Belfast scheme was disallowed on technical grounds by the old Local Government Board and has not yet been revived. The Metropolitan Borough of Poplar has also a profit-sharing scheme in its electricity department, which is reported to have worked very satisfactorily. Under the scheme a fund is formed by taking 20 per cent. of the finally divisible profits up to £6,000 and 10 per cent. of all above £6,000. The fund is distributed as follows :—one quarter to the chief engineer and manager,

one-eighth to the assistant manager, one-eighth in equal proportions to the station and mains engineer and sales manager, and one-half to the junior officers and workmen in the generating and distributing departments *pro rata* to wages and salaries paid in the year in which the bonus is earned.

(b) *Profit-sharing in Agriculture.*

The Labour Co-partnership Association in their annual reports have given several examples of co-partnership schemes as applied to agriculture. "There seems to be a splendid opportunity," they state, "for co-partnership in agriculture. There can be no industry in which the goodwill and consequent honest, careful, efficient work will bring a more direct result." As pointed out earlier, the system of *métayage* in agriculture is a type of profit-sharing. Attempts have recently been made to evolve schemes more or less on the pattern of those adopted in big industrial concerns. The Co-partnership Association quotes the example of Messrs. W. Dennis and Sons, Ltd., farmers and fruit-growers. According to their scheme, the landowner will get 5½ per cent. upon his capital, and a third of the net profits. The firm responsible for the farming and trading capital will get 6 per cent. and one-third of the net profits; and the employees will get the current rates of wages and the remaining third of the profits. Losses are to be carried over to succeeding years and the share of profits assigned to labour is to be allocated in accordance with wages. This firm farms a large area—some 10,000 acres—and has consequently a large number of employees. The workers, men and women, are given a share in the management by electing members to committees of the board of directors. These committees deal with wages, hours of work and other matters.

The instance of Lord Rayleigh's farms is also quoted. Lord Rayleigh has a purchase scheme under which the employees are enabled to invest money in the business up to certain limits. These limits are £250 for head workers and £150 for others. The investments carry a fixed minimum rate of interest of 5 per cent. but share in profits above that level, *e.g.*, if Lord Rayleigh received 7 per cent. the workers would receive an additional 2 per cent., bringing their total return up to 7 per cent. also. Another instance is that of Sir John Shelley-Rolls, who started a scheme in 1919. He converted his farm into a company of which the shares could be held only by himself and by people actually working on the place, or their families. All those who were workers on the estate for 20 years were given one share for each year of work, and in the first year of the scheme he allowed the workers to take their share of profits in cash or to receive double the value of the cash in shares of the company. Practically all the employees accepted the latter offer. The Marquis of Graham, who carries on a farm at Easton in Suffolk, has also evolved a scheme whereby the workers are offered debentures at 6 per cent. guaranteed interest, plus a further bonus on the investment in proportion to profits. The Marquis of Graham also proposes to give debentures as rewards for special services. Several other examples are quoted, and the Labour Co-partnership Association put forward with approval the following scheme which came to light as the result of a prize competition of the subject.

"The scheme is for cash profit-sharing, and carefully defines the terms, profits, employer's wages, annual value of the farm, and so on, and lays down rules for rate of interest on capital and valuing of stock. Employees to benefit must have worked for six months. A reserve is to be accumulated up to a certain maximum. In the

event of a loss, according to the size of the reserve, either (*a*) the loss shall be carried forward as a first charge on future profit, or (*b*) the amount of the loss only shall be taken from reserve, or (*c*) this amount and a 5 per cent. dividend on wages and salaries.

When there is a profit, one-tenth shall be placed to employer and wages, except that the amount falling to ineligible workers shall be added to the reserve, and that for the purposes of this distribution each worker's wages shall be taken as though increased by 2 per cent. for each full year of service after the first."

(*c*) *The Coal Mines Agreement.*

As the present monograph was intended originally to supplement the bulletin on "Conciliation and Arbitration" published by the Government of India (Department of Industries) in 1922 more detailed notice must be taken of the British Coal Mines Agreement. This Agreement is of much importance both as a basis of wage payment and as an instrument of industrial conciliation.

Reference has already been made to the existence of the sliding scale in the British coal industry.[1] For many years attempts have been made to find a method of adjusting wage rates in correspondence with the proceeds from the sale of coal. Wages form a very large part of the total cost of production of coal and it may be said that the margin of profit in the industry as a whole has always been relatively small compared with the total amount of wages paid. Before the war, wages and the price of coal were co-ordinated by means of wages agreements. Each coal-field had its own agreement, which, although varying in detail from that of its neighbour, had one fundamental common principle, namely, that the

[1] See pp. 75-79.

average selling price of coal in the district should be ascertained periodically, and that the scale of wages should be determined according to that price. If the ascertained average price varied so did the wages. Automatic sliding-scales had existed in various areas from time to time, but, immediately before the war, such a scale was in operation only in one district, Northumberland. In the great majority of districts, although there was a general agreement regarding the ratio between changes in price and wages, the scales did not work automatically because other considerations, *e.g.*, variations in the cost of production, were taken into account. Each coal-field had a conciliation board (in some cases the conciliation board covered a wider area than a single coal-field). The chief function of the conciliation boards was fixing the district wage rates, although, of course, the boards also acted as intermediaries in disputes of all kinds. The rules of the boards varied from place to place, but usually they provided for the appointment of an independent chairman if the two sides failed to agree. A chairman called in under such circumstances, in some cases, merely had a casting vote; in other cases, he was given the power of an arbitrator.

These arrangements were satisfactory until the Great War, when the Government took over control of the coal mines. The increased cost of living necessitated increased wages, but the increases granted were not directly connected with the position of the coal industry and were kept separate from the normal wage rates. The normal wage rates used to consist of basis rates plus district percentages. Before the war, the variations were registered in the district percentages; the basis rates remained unaltered, except in Scotland where the basis rate itself used to be altered. In the case of piece workers the basis rates were settled from colliery to colliery according to local conditions, and from seam to seam in the same colliery.

These rates were published as a "price list" in each colliery. Time rates were fixed at so much per day, which was usually the same for the same class of men throughout a district. When the Government took over control of the mines, the above system was abolished in favour of flat rates at a certain amount per day for adults and a smaller fixed amount for boys; the minimum per day was fixed for piece workers and above that increases were granted very similar to the old percentages. About half the total earnings of piece workers came from this percentage increase, and the effect on output was marked. After the coal industry was decontrolled the expedients of the war period were abolished, and various advances were made in the general rates. The chief alteration made in the post-war period, however, was in the coal mines settlement which came into operation in July 1, 1921. Coal owners contended that the pre-war system of basing wages on selling prices failed to interest workers sufficiently in the cost of production. An effort was therefore made to evolve an arrangement by which the wage rate would be made to vary with the net proceeds of the industry, district by district. In his evidence before the Sankey Commission in 1919, Lord Gainford outlined a scheme which, after prolonged discussion between coal-owners, trade unions and the Government ultimately became the Coal Mines Agreement of 1921.

The Coal Mines Agreement is a document of outstanding importance in the history of the relations between capital and labour. The actual details of the scheme concern us less here than its general principles. For the purposes of the scheme, the country is divided into thirteen districts. The operating accounts of the mines in each district are determined periodically after an analysis of the returns made by the owners. The accounts are aggregated for each month and the result certified by

auditors appointed by the owners and miners, by means of a joint test audit. The points on which the auditors disagree are submitted for decision either to District or National Boards constituted under the agreement. These Boards consist of an equal number of owners' and miners' representatives. Provision is also made in the agreement for the reference of points of dispute to the independent chairman of the National Board. The accounts for each district are ultimately sent into the Board of Trade by whom they are presented to Parliament and finally published. From the proceeds of the sale of coal and other products of the mines, as laid down in the agreement, the following items are deducted :—

(1) The cost of standard wages. These are an agreed figure in each district, based upon the past records of the industry and technically known as the basis rate, plus a percentage. The figure resulting from this calculation is a close approximation to the rates payable in June, 1914.

(2) The costs of production other than wages.

(3) Standard profits equivalent to 17 per cent. of the cost of standard wages.

Of the balance, 83 per cent. is attributed to the miners and 17 per cent. to the owners. If the net proceeds, after standard wages and other costs are deducted, are not sufficient to provide for the standard profit of 17 per cent., the deficiency of one period may be carried on to a subsequent period. The agreement stipulates that during its currency wages are not to fall below standard wages plus 20 per cent. The agreement also provides that, if the rate of wages in any district does not provide a subsistence wage to low-paid daily workers, special allowances per shift are to be made.

The details of the scheme need not concern us further. It will be clear that it establishes three principles of vital

importance to industry as a whole. These principles are :—

(1) The interests of the workers are identified with those of the employers by a system of remuneration which is an agreed share of the proceeds of the industry ;

(2) The gross and net proceeds of the industry are periodically examined by a test audit of the independence of which there can be no question. Labour is thus enabled to have a clear idea of the general position of the industry in which it is employed ; and

(3) A definite ratio (83 : 17) is accepted as the equitable criterion of division between labour and capital.

The agreement contains some essential principles of profit-sharing. The idea of profit-sharing, however, is usually connected with individual enterprises. But in the case of the coal mines, the wages are fixed on the basis of profits ascertained for a whole district without reference to the profits or losses of individual concerns in the district. Profits in the district are pooled for the purposes of wage determination with a result that the weakest undertakings may not be able to afford the rates fixed for the district. In a district, it might be possible under the agreement for very well constituted and prosperous undertakings to pay even higher rates than the agreement makes essential, but this has to be set off against the fact that in every district there are some mines which are on the margin or below the margin and which may have to pay rates which they cannot really afford. Mines below the margin, of course, must ultimately close down with a result that the rate of wages will tend to rise, although the closing down may at the same time throw workmen out of employment. It is possible that some arrangement might be devised whereby the weaker mines should at least temporarily be helped by the stronger mines, or whereby costs should be reduced by linking up

the management of the bigger and smaller concerns. There are also certain fundamental economic objections to the agreement, such as the stipulation that wages must not fall below a point 20 per cent. above standard wages. A stipulation like this may be an economic impossibility; but it is not essential to the *principle* of the agreement. What is essential to the agreement is an idea that labour and capital are brought together on a reasoned-out ratio. Behind the agreement is the idea of a partnership between capital and labour on a clearly understood basis. Suspicion, or the possibility of suspicion is removed, and experience has proved,[1] during the short time the agreement has existed, that even in bad times the parties have stood by the agreement in spite of temptations to break it, for in certain districts, owing to bad trade, conditions have favoured neither the employer nor the worker. Wages have been reduced to the minimum, the standard profits have not been reached and big adverse balances remain to be worked off. Nevertheless, the agreement has been accepted in good faith by both parties with a view to amicable working in the future. Not that there have not been accusations of bad faith against the employers; complaints have been numerous, yet, in view of the fact that the initial demands of the miners were for a national wages pool, and not a district settlement, and that the scheme is a cash profit-sharing one without ownership or co-partnership, the scheme has held out so far. The district principle, in particular, merits careful study. The ever-enlarging bounds of industry reduce the personal element to almost nothing. Persons are replaced by corporations, and the loyalties to persons and bodies are by no means the same. The wider the basis of wages, the

[1] At the time of going to press, the question of a national minimum wage has again come to the forefront, and there is a possibility that the agreement may be brought to an end.

less is the interest of the wage-earner in the method of earning or of payment. In civic communities the interest of the citizen varies in inverse ratio to the size of his community. Family and village rank higher than country or national affections, save in great crises. So it is with industry. Enlarge your industry and the interest of the worker in the product diminishes. He becomes less of a person and more of a machine, and, unless his interest is modified by some control, he is apt to look on all additions to his wages paid as the result of 'schemes' or 'agreements' in the name of bonus, share of profits, gratuity or reward, as his just due, and no more.

5. Profit-Sharing in Other Countries.

Within the limits of this book, it is impossible to analyse the many profit-sharing and co-partnership schemes in countries other than the United Kingdom. In 1914, the British Board of Trade published a fairly exhaustive Report on Profit-sharing and Labour Co-partnership Abroad, to which those wishing further information may be referred. The principles of profit-sharing and co-partnership have made an appeal in practically every civilised country in which large-scale production exists. In some countries, the movement has assumed characteristic aspects, in others it has tended to be merged in other methods of industrial remuneration. This is particularly the case in the United States, where, in the absence of details, it is difficult to disentangle profit-sharing and co-partnership as understood in the strict definition adopted above from various schemes of bonus payment, some of which are intimately connected with scientific management. Similarly in France, profit-sharing often is liable to confusion with co-operative production societies.

(*a*) *France.*

France may claim to be the pioneer of profit-sharing, and, with England, is the leading practical exponent of profit-sharing schemes in the modern world. French profit-sharing shows a course of steady development since 1842—indeed profit-sharing was known in France as an early as 1820, when a scheme was started in the National Fire Insurance Company in Paris. This scheme is still in existence. The earlier and more famous French schemes are those of the Maison Leclaire (now Brugniot, Cros et Cie.) started in 1842, of the Maison Godin (now the Société du Familistère de Guise (Colin et Cie., Ancienne Maison Godin), started in 1876, of the Bon Marché, started in 1880, and of the Co-operative Paper Mills at Angoulême (The Maison Laroche Joubert et Cie.), started in 1843. The long duration of some of the leading French schemes is one of their most marked features. A few short notes may be given on some of the schemes, the first of which is the most famous of them all, that started by M. Leclaire in 1842.

Leclaire, who was born in 1801 and died in 1872, began life as a shepherd boy, but at an early age went to Paris, where he was apprenticed to a painter. Soon afterwards he went into business by himself, and in 1838 started the Mutual Aid Society, which was the beginning of his co-partnership scheme. The immediate cause of the Mutual Aid Society was sickness among his employees caused by lead-poisoning. Not only did Leclaire start the Society to help his workers, but he set himself the task of finding a substitute for lead in painting. This he found in oxide of zinc, a discovery which has had a very important bearing on the health of painters. The Mutual Aid Society was supported by monthly contributions from the workmen, and its

purpose was to secure medical attendance and medicines in cases of illness. Originally the Society was founded for a period of fifteen years, at the expiry of which the surplus funds were to be divided among the members. From the beginning Leclaire felt that its scope was not sufficiently wide. In particular he desired to make provision for men thrown out of work from any cause, and in 1842 he promulgated a profit-sharing scheme, which, in spite of the generous treatment Leclaire's workmen had received in wages, presents and hours of work, was received with hostility by the authorities, employers and working men. By personal persuasion, he quickly brought his men over to his side. Rules were formulated, a "nucleus" of his most trusted employees was formed to discuss the details of the scheme, and, at the end of its first year, the workmen received about fifty francs each as their share in profits.

In 1853 the Mutual Aid Society came to the end of its fifteen years' existence. The funds were distributed among the members; each of them received 546 francs. But Leclaire reconstituted it for another fifteen years. The new society was no longer supported from subscriptions but from gifts granted by the firm. Leclaire continued the condition that the members would share in the funds at the end of the period. A few years after the reconstitution Leclaire proposed to the members that instead of dividing the funds among themselves they should start a retiring pension fund Preferring the more immediate division of the funds the members would not be persuaded by Leclaire's proposal. By the statutes of the Society, however, Leclaire had power to swamp it with new members. This he threatened to do, as well as to withdraw his subscription. The Society then yielded. The Mutual Aid Society, now on a satisfactory basis, was regularly incorporated in 1863, and became a sleeping

partner in the firm of Leclaire and Co. The major part of its capital—100,000 francs out of 116,442 francs—was invested in the company. This capital received interest at 5 per cent. In addition, 20 per cent. of the profits went to it, and 30 per cent of the profits to the workmen as a bonus. In 1865 Leclaire retired from business and went to live outside Paris. His object in so doing was to make sure that the Society could continue without his help. Twelve years previously he had selected his successor as manager from the workmen, and to him he handed over the management. He also resigned the presidency of the Mutual Aid Society to M. Charles Robert, a well known name in the history of profit-sharing. The Mutual Aid Society continued to prosper, and from time to time its activities were widened. In 1871 a resolution was passed admitting to participation apprentices and auxiliary workmen. After Leclaire's death further improvements were made—all on lines suggested by him or following from his principles.

The present organisation of the Maison Leclaire is roughly as follows. The firm is a limited liability company, with two active partners and one sleeping partner. The sleeping partner is the "Mutual Provident and Benefit Society" of the workpeople and salaried staff of the Maison Leclaire. In 1912 the capital of the company was £32,000, of which £12,000 was held by the active partners and £20,000 by the sleeping partner or the Mutual Provident and Benefit Society. The managing directors are elected by the special body called the "nucleus." This "nucleus" is about 140 in number. Its members are the workmen with the longest record of service and of the best character. The "nucleus" is elected by itself, *i. e.*, the existing members select those who are to succeed them. The active partners, or the managing directors, are chosen from the salaried staff,

and have to pay a certain amount of capital into the firm. This capital is the equivalent of their accumulation in shares at the annual distribution of profits, and it can only be withdrawn at retirement or death on the same terms as the deposit which the newly appointed partner has to make to replace the amount withdrawn. The funds of the Provident Society come from the accumulation of the shares in the profits which have been allotted to the Society. These funds, as already pointed out, were at first a gift; now they were added to by the annual payments made to the Society as a sleeping partner in the firm.

The active partners are elected for an indefinite period; but they can retire at leisure. So long as they are in office, they have all the powers and responsibilities of partners in a normal business firm. In the case of disagreement, or for other reasons, either of the partners may be forced to resign if requested to do so by the other partner, and also by the President of the Provident and Benefit Society on the advice of two members of the "nucleus," whose special duty it is to control the accounts. When an active partner retires or dies, he or his representative receives his full salary for the year and a lump sum down, after which he or his estate has no further claim on the company whatsoever.

The division of profits is reckoned as follows. After payment of 5 per cent. interest on capital, 15 per cent. is earmarked for the active partners, 35 per cent. goes to the Mutual Provident and Benefit Society, and 50 per cent. to the workpeople and salaried staff. The share of the workpeople and the salaried staff is fixed in proportion to their salaries and wages. Members of the "nucleus" of five years' standing in the firm are admitted as members of the Provident Society, which provides sick members with medical attendance and also sick pay at a

certain rate. Wives and children of members and pensioners of the firm and their families also receive benefits from this Society. Life pensions are granted to members who reach the age of 50 years, and who have completed 20 years' service. Widows of members and orphans receive half pensions, the latter until they reach majority. A pension is also paid to workmen who are non-members if they have been incapacitated during the course of their employment. Half pensions are granted to the widows and orphans of workmen killed at their work. Long-service pensions at a reduced rate were granted to non-members of the Provident Society in 1892, and this has been continued. The members of the Provident Society are also insured for a certain sum at death. This sum goes for the benefit of widows and orphans, and beneficiaries are entitled to free burial at the expense of the Society.

The members of the "nucleus" each year nominate at a general meeting two delegates from among themselves, whose duty, along with the President of the Provident Society, it is to see that the profit-sharing is conducted according to the regulations of the scheme.

Another famous French profit-sharing scheme is that of the Maison Godin. This firm was founded in 1840 by M. Godin for the manufacture of hardware and heating apparatus. M. Godin's enterprise was at first a small one—he employed only 20 workmen—but it gradually grew until in 1883 he employed 1,400 at Guise and 300 in a branch establishment in Belgium. From the very beginning, M. Godin encouraged by his personal assistance a scheme for the organisation of mutual aid among his employees. The first important practical manifestation of his efforts was the foundation of a sort of model village at Guise, known as the Familistère. This Familistère not only accommodates the workmen of the firm, but has an

elaborate establishment of co-operative stores, nurseries, and schools, with a library and theatre. In 1877 M. Godin started a definite scheme of participation of profits. Up to then he had not been able to initiate his scheme owing to difficulties with the French law, and, at the very outset of his scheme, he was almost frustrated by the suspicion of his workmen. So great was their suspicion that on the day on which the distribution of profits was made, the majority of the workmen actually refused to accept their share which, in many cases, was as much as 200 or 300 francs, on the suspicion that the proprietor had invented some device by which to deceive them. Gradually overcoming this suspicion, M. Godin was able to place his scheme on a lasting basis. From 1877 to 1879 the bonus was paid out in cash, the actual sum distributed during that period being over 172,000 francs. In 1880 the business was converted into a limited liability company, and since then, owing to M. Godin's ideas, it has practically become a co-operative society. M. Godin's original idea was to transfer the ownership of the business to the workmen, and his profit-sharing scheme was planned with this end in view. When M. Godin died in 1888, he left a sum of £124,000 to the Company, by which it was able to come into full possession of the Familistère and also of the factories at Guise and at Schaerbek in Belgium.

When the firm was converted into a limited liability company, the capital was £184,000, which sum belonged entirely to M. Godin himself. This sum was gradually converted into the collective property of the company in the following manner. At the end of each year's working, the total net profits were paid over to the founder in cash, but the nominal amount of the capital belonging to him was reduced by this amount. The amount repaid was converted into "savings shares" which bore interest, and

these shares were distributed according to definite articles of association among the members of the Society. Thus, after the declaration of the first year's profits, the original capital really consisted of £184,000 *minus* the sum declared as profits, this sum having been divided amongst the members of the Society. This process was continued until the founder's capital ultimately was converted into these "savings shares." The articles of association provide that, after the founder's capital has been so converted, the "savings shares" themselves are to be paid off and redistributed in the same way in order of date. M. Godin gradually disposed of his capital in this way up to the time of his death, and the process was continued by Madame Godin until it was completed. After the completion of the process, the oldest workmen had to release their shares to the younger on a similar principle, so that the actual ownership of the establishment from generation to generation is kept in the hands of the actual workers.

The organisation of the workmen as participators in the Society is distinctive. It is based on a rising and falling scale of importance. At the top of the participators are the "associates." These consist mainly of the senior employees and may be compared with the "nucleus" of the Leclaire scheme. Next come the "sociétaires" or "members." These must have worked in the firm for three years. Both the "associates" and "sociétaires" reside in the Social Palace or Familistère. Below them come the "sharers" or "participants," who must be 21 years of age, and also must have been one year in the service of the Society. At the end of the scale come the "auxiliaries." The "auxiliaries" have no share in the business, nor do they participate in the profits, but they receive the full benefits of the education and aid funds. The top class, or "associates," must possess

individually at least 500 francs worth of stock, and they also must be actual workers. They have the privilege of electing new members to their own class, like the Leclaire "nucleus." The "associates" were originally the most trusted workers of M. Godin himself, and, indeed, originally the only workers who were admitted to profit-sharing, and, since his death, they have preserved their dignities and rights. They now also elect the manager of the company. The manager is assisted by a managing committee and the industrial committee of the Familistère. The manager alone represents the firm in all its dealings legally and otherwise with the public. He has the power to appoint and dismiss employees, but he must consult the general meeting and certain committees for certain purposes, and in some matters decisions can be given only by the managing committee itself. The manager is paid a fixed salary *plus* 4 per cent. of the profits paid in "savings shares," *plus* his benefits as a member of the Society.

The basis of profit distribution is as follows. "Associates" receive two parts (*i.e.*, twice their wages or salaries), "sociétaires" one-and-a-half parts and sharers one part. For the purposes of distribution "sociétaires" and participants or sharers who live in the Familistère and have 20 years' service behind them, rank as "associates." Participants or sharers with 20 years' service, but not living in the Familistère, rank as "sociétaires."

After the gross profits of each year have been decided, 5 per cent. is set aside for depreciation of fixed plant, 10 per cent. for depreciation of tools and other movable property, and 15 per cent. for depreciation of models. Provision is then made for the payment of interest, for expenses on education and for mutual insurance, after

which the remainder is distributed in the following manner:—

(*a*) 25 per cent. goes to a reserve fund; at least this 25 per cent. went to the reserve fund until the fund reached its maximum of 10 per cent. of the capital. The 25 per cent. is still shown separately in the account, but it is distributed to capital and labour.

(*b*) 50 per cent. goes to capital and labour in proportion to their respective amounts. The usual interest on the capital of the firm and the total amount paid during the year in wages and salaries are added together, and the proportion which each sum bears to the whole settles the shares to be given to capital and labour. The amounts are then distributed to "associates," "members," etc., on the basis described above.

(*c*) 25 per cent. of the sum is divided according to ability and responsibility. Four per cent. goes to the manager, 16 per cent. to the managing committee (or less, if that committee consists of less than 16 members, the remainder being disposed of by the committee itself), 2 per cent. to the committee of foremen, 2 per cent. to be distributed amongst specially meritorious employees as decided by the managing committee, and 1 per cent. to support pupils transferred from the Familistère schools to the state schools.

The capital receives a fixed return annually of 5 per cent. in addition to what it receives under the profit-sharing scheme.

The company conducts a large number of welfare schemes, provident funds, etc. It provides all the money

for these schemes by granting a subvention equal to 4½ per cent. on the wages and salaries, *plus* the profit-sharing dividend belonging nominally to the "auxiliaries," who receive no direct participation in profits, but are admitted to the benefits of the funds and welfare schemes. The pension fund is notable. Pensions are fixed according to the rank and seniority of the workmen, and are granted for old age, accidents or other disabilities which compel the individual to give up work.

It will be seen that the above scheme makes the Maison Godin practically a co-operative production society, and it is not surprising to find that the workpeople in the employ of the society continue to serve them year after year. Taking on the average of the 20 years preceding 1914, the number of employees, male and female, who had been with the firm over 10 years was 1,422 out of 2,300. The number who had served over 20 years was no less than 675, or close on 30 per cent. of the total staff. The Familistère was largely destroyed during the war, but the business is now being reconstructed.

Space does not permit of further analysis of other well-known French schemes, such as that of the Bon Marché, started by M. Boucicaut in 1876, and that of the Maison Laroche-Joubert and Co., at Angouelême. The latter, in particular, deserves notice, as it dates from 1843. It is possible, however, only to make a few general remarks on the French systems. The most recent statistics show that profit-sharing schemes exist in 114 French establishments, but there is a distinct difference in the class of business in which profit-sharing has been adopted as compared with the United Kingdom. The most typical profit-sharing schemes in the United Kingdom are found in gas companies. In France only two gas-lighting business have profit-sharing schemes.

On the other hand, no less than 16 insurance companies, 4 banks and 3 savings banks in France have such schemes as against only 1 or 2 similar schemes in the United Kingdom. Other branches of industry are represented sporadically in each country.

This, however, is not the only difference between the French and the English systems. In a large number of schemes in the United Kingdom, the bonus is paid in cash. In another large number, some of which pay part of the bonus in cash, special facilities are given to the workmen for the easy purchase of shares in the business. In France, however, the cash payment system and the share-holding system have not been popular, largely owing to the fact that some leading members of the French Profit-sharing Society have opposed this in favour of other types. The most usual French scheme is a capitalisation of the sum distributed as bonus. The most common method of capitalisation is to accumulate the bonuses into what is known as a "patrimony" (patrimoine). This patrimony is converted into a pension fund for the benefit of employees after retirement, or for their dependents in the case of death. This is particularly common in insurance companies, chiefly owing to the example set by M. Alfred De Courcy, who used to be Managing Director of the General Assurance Company, and at the same time one of the leading French supporters of profit-sharing. The General Assurance Company itself was founded in 1818, and its scheme of profit-sharing was started in 1850, when M. De Courcy proposed his scheme of "deferred participation," the purpose of which was to create a provident fund which would have the effect of keeping in the service of the company the employees whom it wished to keep. At the outset he endowed the fund with a liberal sum, and at the same time distributed 5 per cent. of the dividends payable to shareholders, clerks,

messengers and hall porters of the central office of the company. This share in the profits was allotted to the provident fund in sums proportionate to the wages and salaries of the participants. Every year similar sums are placed at the credit of each individual's deposit. The money cannot be claimed until the individual participator has served 25 years with the firm, or reached the age of 65. After reaching the specified term, the employee of the company can demand that the sum due to him be devoted to buy him either a life annuity in the General Assurance Company itself, or French Government or Railway securities, the scrip of which remains in the hands of the firm until the employee's death, after which it is handed over to his representatives. The funds of the provident fund are kept separate from the company's own funds, so that the risk of the employees is reduced to a minimum.

This short account of the pattern profit-sharing scheme of the French Assurance Companies shows the general trend of the others. In several cases the funds of the patrimony or provident fund are augmented from time to time by special grants from the firms.

In the Report of Profit-sharing and Co-partnership Abroad published by the Board of Trade in 1914, special attention is drawn to the legislative proposals which have been made in France for the encouragement of profit-sharing and co-partnership. It is notable that the French Profit-sharing Society has consistently opposed all legislative interference with the profit-sharing movement. None the less, it is interesting to note that, from 1879 onwards, there have been repeated attempts to make profit-sharing compulsory in certain industries or types of industries. The first proposal was introduced by M. Laroche-Joubert, whose practical advocacy of profit-sharing is well known from his connection with the Co-operative Paper Factory at Angouelême. In 1888 the Government introduced a

measure to promote profit-sharing, but, because of complications with co-operative societies, it was not ultimately passed. In 1891 several bills were introduced—one by M. Godin—the main objects of which were to encourage investment by the workpeople in the shares of the employing company, and to encourage ordinary profit-sharing. M. Godin proposed to achieve the first object by allowing any commercial company to earmark part of its capital for division into special shares, the value of each share to be not less than £1. The shares, he proposed, should be subscribed for in instalments, and the holder was to obtain certain special privileges. Ordinary profit-sharing he proposed to encourage by permitting employers, if they wished, to confer certain legal rights on their employees. For this purpose he proposed to legalise the formation of employees into distinct companies with certain rights and a corporate personality capable of entering into agreement with the employers in matters affecting the profit-sharing scheme. From year to year, other bills have been introduced into the French legislature, and though they have not been passed, they have at least shown the world at large the very active interest which not only individual industrialists but also the Government of France take in profit-sharing and co-partnership. The International Profit-sharing Congress of 1889 has placed on record a resolution to the following effect:—

> "This Congress is of opinion that profit-sharing cannot be imposed by the State; that it must proceed solely from the employer's initiative or from a petition of the workpeople freely accepted by the employer, as the case may be, on the same footing as any other agreement or contract relative to the terms of employment."

This principle has been consistently adhered to by the French Profit-sharing Society, and it has been generally

agreed throughout the world that, apart from co-operative societies, the profit-sharing and co-partnership movement is best left to the initiative of employers and workpeople alike. It may be added that in 1912 an attempt was made to pass a Co-partnership Act in Great Britain, and, in the same year, in the state of Massachusetts.

(b) *Germany.*

Profit-sharing has not made any appreciable headway in Germany. From the various estimates of the progress of the movement in Germany from time to time, it appears that only 9 of the 51 German schemes described by Prof. Boehmert in 1878 still existed in 1902. About 33 new schemes had been started, giving a total in 1902 of 42. In the most recent estimate made by M. Trombert, the number of German schemes before the war seems to have been about 46. The schemes are divided among all types of industries, no one type being particularly predominant. Of the schemes described by Prof. Boehmert in 1878, 3 were classified as profit-sharing, with a share in the undertaking, *i.e.*, co-partnership, and 27 as profit-sharing, without a share in the undertaking. In the remaining cases, the profits were distributed in the form of bonuses, premiums, contributions to insurance funds, benevolent funds, etc. It will be noted that only a very small proportion of the total number mentioned by Prof. Boehmert comes under profit-sharing and co-partnership as understood in the strict sense accepted by the British Ministry of Labour and the French Society of Profit-sharing.

Various causes are given for the slow progress of the movement in Germany. The German socialist movement has been hostile to profit-sharing schemes, and trade unions have been indifferent. As in other countries, but to a more marked degree, the working classes as a

whole seem to have looked upon the profit-sharing movement as a device invented by employers to weaken the class consciousness of workmen and to bind them still more closely to the present industrial machine. Germany also has for many years been noted as leading the way in measures of social insurance against sickness, invalidity, accidents and old age. The state provision, made as a result of the general laws, has not only weakened the incentive of employers to introduce profit-sharing schemes, but also has tended to make the workman independent of the employer in these matters. It also appears that in Germany, as in other countries, the idea of profit-sharing as providing a stimulus to the workman to have greater interest in his work has depended largely upon the size of the bonus granted. In large firms, especially if the bonuses were small, the incentive to additional industry and interest was small, and if the bonuses were large, the additional interest which some schemes may have extracted at their initiation did not last. The large bonuses came to be regarded in the course of time as a matter of right, with the consequence that the lessening of the bonus as a result of bad years was likely to lead to industrial trouble. Another reason for the relative weakness of profit-sharing in Germany was the failure of an individual example started in 1867 by a Berlin brass manufacturer called Borchert.

Several concerns in Germany have adopted modified forms of profit-sharing. A Leipsig fur company (the Rauchwaren Zurichterei und Farberei Limited), when increasing its capital, reserved a part of the new shares for its workpeople. The shares were given without payment and also without voting power. Another firm, the Rhenische Möbelstoffweberei, reserved a proportion of its capital increase in 1920 for its employees, but the employees had to pay the same rate for the shares as

ordinary shareholders. Employees who wished to buy shares were given an advance at 6 per cent. interest and those who did not purchase shares received a thousand marks compensation for their share of the profits. In the scheme of Herr Borchardt, the ordinary stock was allowed 6 per cent. interest and the surplus was divided between capital and labour. Since the conclusion of the war, a number of large houses have introduced profit-sharing. One house gives the workmen a share of the sale proceeds of manufactured goods reckoned by weight—a procedure which in 1920 increased the workmen's earnings by about a thirteenth. One or two co-partnership schemes have been introduced, but on the whole the prospects are not promising. Practically none of the schemes introduced has had a long life and in several cases the schemes have been given up at the special request of the workmen.

(c) *Holland*

In Holland the profit-sharing schemes in existence are few in number. A number of Dutch firms distribute part of their profits at unfixed intervals in the form of gratuities; but these gratuities bear no fixed relation to the total profits. They are not fixed beforehand, and they depend entirely upon the wishes of the individual employers or firms. Such gratuities do not come within the purview of profit-sharing properly so-called. In those firms in which there is a definite profit-sharing scheme regulated by definite rules or by the articles of association of the firm, there are the usual safeguards concerning the manner in which the bonus is to be paid or invested. Practically no two of the Dutch schemes are alike in this respect, except those which bear the stamp of the work of Mr. Van Marken. Mr. Van Marken

founded several Dutch enterprises, including the Dutch Alcohol and Yeast Factory at Delft, the Delft Glue and Gelatine Factory and the Franco-Dutch Oil Mills, also at Delft. His original scheme was put into force in the Alcohol and Yeast Factory in 1879, but his most typical effort is that of the Van Marken Printing Works at Delft, founded by him in 1892. This Printing Works, known as Van Marken's Drukkerij, employs only a small number of workpeople, but its system has been followed by other printing firms, and it also contains certain distinctive features worth notice. It may also be added that Mr. Van Marken founded many institutions of a benevolent character for his workmen supported altogether from the profit-sharing schemes. Other concerns which have tried profit-sharing are the Dutch Engine and Railway Materials Works at Amsterdam, and the branches of Messrs. Stork Bros. and Company's Machine Works.

The following declaration of the founders of the Printing Works at Delft shows their intentions regarding its organisation :—

" * * * labour as a co-partner, and therefore entitled to share in the deliberations and decisions affecting the interests of the Company, according to the provisions fixed in this deed; in this undertaking the influence of capital on the success of the undertaking is an influence limited by its monetary amount, whereas the influence of the intellectual and physical labour owing to the aptitude and exertion of man is not limited; and, consequently, the shareholders have an equitable claim only to a limited portion of the profits of the company—ampler according as the profits are more uncertain and the chances of loss greater—in contrast with the claims of labour, which in strict justice, are not limited; and it is desirable that in this enterprise labour

should be made part-owner and ultimately sole owner of the instruments of labour, and, therefore, of the shares in the capital of the company; which aim the promoters propose to attain by saving the profits allotted to labour, and by redeeming the capital subscribed by the shareholders."

The distribution of the profits is made on the following system. Profits are not considered to have been earned until the following percentages of the original cost of construction have been written off each year:—

(*a*) 5 per cent. for the buildings in each of the first 10 years;

(*b*) 10 per cent. for the machines in each of the first 4 years, and 5 per cent. in each of the next 6 years;

(*c*) 12½ per cent. for the type and implements in each of the first 4 years, and 7½ per cent. in each of the next 4 years;

(*d*) 2½ per cent. for all the property until it has been reduced to a value at which probably it will always be possible to sell it.

After the profits have been declared, 6 per cent. on the paid-up capital is first allotted to the shareholders as interest and "compensation for risks incurred." If the profits are not sufficient for the payment of this 6 per cent. for any one year or for several successive years, no payments may be made in succeeding years to other participants in the profits until the cumulative 6 per cent. has been paid. After the payment of this 6 per cent., 25 per cent. of the remainder goes to the board of directors, 50 per cent. to the labour partners and the regular workmen, 3 per cent. to the managers for superintendence, 12 per cent. to the promoters for their services in founding the business, and, finally, 10 per cent. to the association called "Through Labour to

Labour" for advancing the material and moral interests of the staff of the firm.

The employees may receive a part of their share in the profits in cash according to the following provisions:—

Of the share in the profits allotted to the board of directors, to the labour-partners, and to the managers, the following maximum proportions may be paid in cash to the persons severally entitled to it:—

(*a*) *If the person entitled to a share in the profits is married and has*

	Per cent.
4 or more children under 15 years of age ...	50
3 children under 15 years of age	45
2 " " " " " "	40
1 child " " " " "	35
No children	30

(*b*) If the person entitled to a share in the profit is unmarried —

	Per cent.
If he is of age	25
If he is under age	20

These are the maximum percentages to which the individuals are entitled, but, if they care, they may take in cash a smaller percentage. After this percentage is paid, the share remaining is deposited in a profit-saving bank in the name of each employee. When the amount at the credit of each employee reaches a certain sum (the sum used to be about 100 florins), the sum is withdrawn from the bank, and the individual is given a share in the company equivalent in value to the sum withdrawn. The share either is taken from the unissued share-capital of the company, or is purchased from shareholders who have already bought shares.

This scheme originally was calculated to operate so that, after a number of years, the whole property would pass entirely into the hands of the labour-partners.

The profit-sharing scheme of the "Veluwe" Varnish, Paint and Agricultural Products Manufacturing Company at Nunspeet is also worthy of note. In this company the capital is always kept at the same figure, but the stock of the original shareholders is gradually transferred to the employees of the company, and, as they retire, it is transferred from them to their successors. The system of this company is more complicated, but it is a notable example of Dutch profit-sharing. With the works is alsc connected a garden city with the usual features of such a settlement.

The profit-sharing scheme of the Delft Alcohol and Yeast Factory dates from 1875, when Mr. Van Marken founded a factory council after the model of Leclaire. The share of the profits going to employees for the period 1879 to 1920 was 10 per cent. After 1920 it was decided to allocate 15 per cent. of the super-profit, which was reckoned after 5 per cent. had been paid on the ordinary shares, to the workmen. In 1910 a co-partnership scheme was introduced. At the beginning of the scheme the workmen were given a collective holding of 200 shares of 1,000 guilders each, a share which was gradually increased. The workmen now hold nearly 10 per cent. of the capital of the company. A special fund has also been recently created by which shares are bought back from the employees who leave the factory. Originally 2½ per cent. of the super-profit was set aside for this purpose: now it is 5 per cent. The shares bought back are given to new employees. About one quarter of the shares assigned to the employees are bought back in this way every year. The most recent figures show that 17 per cent. of the year's wages went to the workmen as their share of profits. This, with the other allocations which go to depreciation or for other funds, now makes the workman's share of the total profits 30 per cent.

In the Machine Works of Stork Bros & Co., there is a peculiar type of scheme. The workmen are paid piece wages, but they were originally also guaranteed a fixed time wage. After the piece rates were fixed a calculation was made every three months of the wages that each man would have earned at piece rates, and the difference was paid over to him. If the difference was considerable the wage rates were increased. Ultimately the men were paid a certain percentage of the super-profit. Owing to strikes arising from the diminution of rates following the introduction of improved machinery, the original system was changed: on the basis of past experience a minimum total piece rate was fixed for a number of years. A surplus of total piece wages was also fixed over and above this sum according to the share of workmen in the super-profit. If the share in the super-profit was above a certain sum, the minimum was raised to four times the surplus. From the total the workmen received the remainder of their piece wages, and the remaining sum was distributed to all the workmen proportionately to their wages. The system was simplified later. It was decided that if the dividend of the shareholders was 5 per cent. the surplus-piece-wages (above the hour rates) would be 17. per cent. of the hour wages, and that for every increase of 1 per cent. in the dividend the surplus-piece-wages would be increased by 2 per cent. A wage committee was also started in the works.

So far neither profit-sharing nor co-partnership has appealed to the Dutch workman: like many other workmen, the Dutchman prefers actual money to shares in the business.

(*d*) *Other European Countries.*

Profit-sharing has made little impression in other European countries. In Belgium there are few instances. This is accounted for partly by the lack of interest shown by employers in profit-sharing and co-partnership and partly by the fact that the Belgian trade unions have hitherto interested themselves mainly in political movements. Most Belgian workmen belong to the socialist party and their leaders have consistently refused to countenance schemes which involve joint action between capitalists and workmen. Quite recently, mainly as the result of the industrial troubles following the Great War, a number of political leaders in Belgium have turned to profit-sharing and co-partnership as a method of securing industrial peace ; indeed the Government has actually been pressed to undertake special legislation for its introduction.

The earliest Belgian profit-sharing scheme was that of the Delhaize Brothers Company, a foodstuffs firm which has a large number of branches throughout Belgium. The principle of the Delhaize scheme is that at the end of each year a bonus is distributed to the workmen on the basis of their merit and length of employment. At present the bonus is about 10 per cent. of the pre-war earnings of the men, but it is so fixed that in cases it actually exceeds the fixed wages of the employee. Clerks and heads of departments, branch managers and others also come into the scheme on various conditions. This scheme has been in existence for about 40 years. Another scheme, started in 1891 in the firm of Louis de Nayer, provides that every employee who has served 25 years is entitled to an annual pension of 300 francs. This pension is paid out of a sum which had previously

been used for the capitalisation of individual shares, but which was transmuted later into an old age pension fund. After the pension has been paid, the remainder of the amount allocated from the profits to the workmen, which used to be 25 per cent. but which is now not fixed, is paid to the other workmen on the basis of the earnings of the previous year, provided the sum does not exceed 6 per cent. of these earnings.

Other Belgian examples are in the Familistère of Guise at Schaerbeek, the Boel Works and Foundries at La Louvière, now rebuilt after being destroyed by the Germans in 1918, and in various banks, the employees of which receive a bonus, not fixed beforehand, at the end of each year.

Another example, recently described in the *Manchester Guardian*, is La Société Anonyme des Crystalleries du Val St. Lambert at Liège. In this case the profits are usually distributed only to the piece workers. The piece workers form 80 per cent. of the total staff. The profits are divided in such a way that the workman knows each week what share he should receive. Each workman has to keep a book in which is entered the work done, the current rate and his rate of pay and the profit is calculated on the money actually earned. Workers engaged in specially hard or dangerous work are given special rates.

In Italy, profit-sharing has made little headway. Very few schemes are in existence. One of these—that of Messrs. F. Vignati & Co. Ltd., Legnano, cotton manufacturers, deserves some notice. The scheme, which was started in 1910, distinguishes between industrial and commercial profits. Industrial profits arise out of the production in the factory, and commercial profits from the buying of the raw material and the selling of the product. The employees are permitted to share only the industrial

profit. They are thus freed from the risks arising from variations in market prices. A special ledger is kept by the management to show the total value of the raw-material and the total value of goods manufactured, and this ledger is open to inspection by the operatives. All expenses are taken into account in the calculation and at the end of each year the profit is divided equally between the firm and the workpeople. The share of the latter is decided on the basis of the wages earned during the year. The scheme is too young yet to admit of judgment, but appears to have worked satisfactorily so far.

In Switzerland the number of profit-sharing schemes is also small, and most of them are in small businesses. It is interesting to note that so far back as 1869 the Swiss Post Office tried to introduce a profit-sharing scheme for the higher administrative staff. By this scheme 20 per cent. of the net postal receipts were to be divided among the higher officers in proportion to their fixed salaries, but in no case was the proportion paid to exceed 25 per cent. of the salaries. For two years the postal officials received substantial additions to their salaries as a result of the scheme, but the scheme did not keep up its good record. It was abolished in 1873, and the employees were given increased permanent pay as compensation. The employees were satisfied enough so long as the scheme provided satisfactory additional payments, but, from the point of view, of the management, the scheme involved an excessive amount of accounting, and it also created dissatisfaction amongst those branches of the public service which did not receive similar consideration.

Several other schemes were introduced in Switzerland relatively early in the history of profit-sharing, but most of these have ceased to exist. One, however, deserves more than passing notice, namely, that of the Watch

Factory of Messrs. Balland & Co., at Geneva. This scheme was started in 1847, and is thus almost as old as the better known schemes of M. Leclaire and M. Godin. According to the latest available report of the scheme, 15 per cent. of the annual profits is distributed to the employees. Of this 15 per cent. 13 per cent. is paid in cash, and the remaining 2 per cent. is paid during the course of the year. The distribution of the 13 per cent. is decided as follows :—

(*a*) 51 per cent. of the total, according to length of service. 1 unit goes to those with a service of 2 to 7 years, 2 units to those having from 7 to 15 years, $2\frac{1}{4}$ units to those over 15 years, and $2\frac{1}{2}$ units to those of 20 years' service and over. Employees with less than 2 years' service are not allowed to participate.

(*b*) 46 per cent. of the total is divided according to the judgment of the firm as rewards for economy in material, orderliness, etc.

A distinctive feature of this firm's scheme is that the employees are reminded at frequent intervals that they share in the profits of the firm as a result of a purely voluntary act on the part of the firm itself, and that they have no *right* to share in profits.

Sporadic instances of profit-sharing have been reported from the old Austria-Hungary, Spain, Portugal and Denmark, but the movement has made no headway in these countries.

(*e*) *The United States.*

Profit-sharing and labour co-partnership have not made much progress in the United States. Most of the schemes in the United States are relatively new ; but it is to be remembered that a large number of the schemes which

are sometimes classed as profit-sharing are not actually profit-sharing in the strict sense of the term at all. It is a common practice of many firms in the United States to grant periodical bonuses, or to give special facilities to the employees for the purchase of stock in the concern, but these bonuses and facilities are not granted on a special pre-arranged system. They are granted adventitiously according to the circumstances of the company, and according to the wishes of the directorates. In the United States, too, various forms of the bonus system are in vogue. By these bonuses the employees are enabled to share in profits to a certain extent. This, however, is more properly gain-sharing, not profit-sharing.

For a detailed account of profit-sharing in the United States the reader must be referred to Gilman's "Profit-Sharing between Employer and Employee" (1896), to Bulletin No. 208 [1] of the United States Bureau of Labour Statistics, published in 1917, and to "Profit-Sharing by American Employers" (1920), published by the National Civic Federation, New York. The latter publication is the most recent comprehensive survey of profit-sharing in the United States, and it contains an analysis not only of individual schemes in America and other countries but a summary of the results achieved over a period of years. Bulletin 208 of the United States Labour Bureau shows that in 1916 there were some sixty genuine profit-sharing schemes in the United States. The number of employees involved was less than thirty thousand, an insignificant fraction of the total wage-earning population of the country. Most of the schemes were of recent origin: only seven had been established before 1900.

[1] This Bulletin contains a full list of references to profit-sharing literature, which is supplemented by a list published in the U. S. *Monthly Labour Review* for April, 1923. Representative American opinions on profit-sharing are given in Professor Commons's *Trade Unionism and Labor Problems* (Second Series; Ginn and Co., N. Y.,21), and Bloomfield's *Problems of Labour* (New York, 1920).

Twenty-nine had come into existence since 1911. Two-thirds were in operation for less than ten years and about a third of these were established between 1914 and 1916. The concerns in which profit-sharing had been introduced were centred mainly in Massachusetts, New York and Ohio. A very large proportion of the schemes was in force in relatively small establishments, employing round about three hundred employees, or less. By 1920 a number of the schemes existing in 1916 had been abandoned or provisionally discontinued. It may be added that a survey made in 1896 showed that some fifty schemes had been started at one time or another, but that thirty-three of these had been abandoned and five kept in abeyance. The American record thus seems rather an uneven one; but the survey of the National Civic Federation shows that stock purchase plans are on the increase.

The conditions which have been attached to profit-sharing in the United States are in many respects similar to those prevailing in the United Kingdom. The American schemes as a rule give emphasis to continuous service, although the lower limit of service is often as small as three months. Nearly all the plans exclude floating labour from participation. In several cases, employees are required to sign a declaration promising faithful work and loyalty to the company. One case is quoted in which they agree to share in losses as well as profits, but the limit of loss is laid down at ten per cent. In this plan ten per cent. of the earnings of the employees participating in the scheme is kept by the company till the distribution period, when, if the company has not been working at a loss, the amounts are returned together with the share of profits earned by each employee. The basis of paying the share of profits in almost all the United States instances is the amount of earnings of the participants. In most of the schemes discharge or leaving

employment means forfeiture of the share of profits earned for the year in which the discharge takes place. In some of the schemes in which the share of profits is paid in stock or in the form of savings accounts, persons who leave employment are more severely penalised than those who are discharged. They have to pay back a certain amount of their share of the profits for the previous year as well as forfeit the proportion earned during the year in which they leave. In some cases forfeited shares of profits revert to the employer; in other cases they are divided up amongst the other participants. Most of the schemes provide that employees who are temporarily out of work because of slackness in trade may resume participation when they are fully re-employed, their shares being calculated on the amount of wages earned during the year. In a similar way provision is usually made that persons off work because of slackness may participate proportionately to wages earned. In thirty-two of the schemes the share of the profits was reported to be paid fully in cash; in five it was paid as part stock or savings account and part cash. The following table shows the percentage of regular earnings received as the share of profits in thirty-four selected profit-sharing establishments:—

Classified Percentage of Earnings received as Share of Profits.	Number of Establishments.
Under 2	1
2 and under 4	6
4 and under 6	4
6 and under 8	7
8 and under 10	5
10 and under 15	5
15 and under 20	1
20 and under 30	1
30 and under 40	2
40 and under 50	1
50 and over	1
Total	34

Thus in about one-third of the plans the profit-sharing dividend on the regular earnings of the participants was less than six per cent.; a little over a third paid dividends between six and ten per cent.; and the remainder paid dividends of ten per cent. or above. Five establishments are shown as having paid twenty per cent. or more. The reasons given for the relatively low dividends paid under a large number of the schemes are (1) the small proportions of the net profits which certain employers are willing to share; (2) the large amount of participants; and (3) the methods used by some employers to determine the shares of profits which should go to the employer and the employees. The employer usually goes on the assumption that his part of the divisible surplus is represented by the capital of the concern, and that of the employees is represented by the amount paid out in wages. On this basis the distributions have resulted in a higher relative amount going to capital than to labour, for the annual cost of labour very rarely is more than one-fourth of the amount of capital invested.

In the United States there has been a tendency on the part of employers to grant special facilities to employees for the purchase of capital in the undertakings in which they are employed. Such facilities as a rule are granted with special guarantees which require the employee not to leave the company's service within a specified period and not to sell his shares to outsiders. Sometimes the guarantees are moral understandings; sometimes they are drawn up as legal instruments; sometimes special inducements are offered to attract the employees. The relative success of such stock purchase schemes may be accounted for partly by the high rate of wages prevalent in America and partly by the fact that the individual workman in America has ambitions

to become a capitalist on his own account. The best known schemes of this type (which the Labour Co-partnership Association of Great Britain now definitely calls "Purchase Schemes") are those of the United States Steel Corporation and the International Harvester Company. Another well-known American plan is that of the Proctor and Gamble Company, which combines the stock purchase system with profit-sharing in the strict sense of the term. A short description may be given of one or two of the American schemes, of which sixty-five cases are stated to be in existence by the National Civic Federation.

The scheme of the United States Steel Corporation in one form or other has been in operation since 1903, but a number of profit-sharing schemes in similar large corporations in the United States are carried on from year to year. They are not permanent, and, therefore, they can hardly fall within the ordinary definition of profit-sharing, which demands that the share of profits should be fixed beforehand. The scheme of the United States Steel Corporation provides that the officers and employees of the Corporation may subscribe for one or more shares in the preferred or common stock at a fixed price, namely, 110 dollars per share for preferred stock and 55 dollars per share for common stock. The price fixed originally by the scheme is not necessarily constant : it may be varied from time to time by the management. An employee may subscribe for shares equivalent to the amount of his yearly salary, If a subscriber falls into three months' arrears with his payments, or leaves the service of the Corporation, his payments are returned with 5 per cent. interest. No dividends or special allowances, however, are payable on such shares. Once a stock is fully paid, it is issued to the subscriber in his name. He may sell the certificate whenever he likes,

but, to induce him to keep the certificate as long as he is in the employment of the Corporation, he is offered an yearly cash bonus of 5 dollars per share on preferred stock, and 3½ dollars per share on common stock, for a period of 5 years. Employees who have not paid up the shares in full, but who have regularly subscribed to the scheme, are also allowed this bonus. Bonuses which are forfeited through non-compliance with the regulations of the scheme are paid into a common fund, and at the end of every five years, this fund is divided amongst the other holders of certificates.

It is obvious that in vast corporations such as the United States Steel Corporation, the employees cannot materially influence the policy of the company by their possession of shares. No special scheme exists to give the employees either special voting powers, or a seat or seats on the board of directors. On April 30th, 1920, over 40,000 employees were stockholders, and subscriptions had been received from 66,311 employees for a total of 167,263 shares.

The Proctor and Gamble Company is a firm of soap manufacturers, with businesses at Cincinnati, New York, Kansas City, and at Hamilton, Ontario, Canada. The firm was founded in 1837 and is one of the largest makers of soap and glycerine in America. In 1919 (the last year for which figures have been given by the Labour Co-partnership Association) the capital was £4,650,000, and there were between four thousand and five thousand employees, the great majority of whom were unskilled. The profit-sharing scheme of the firm was started in 1887. The total bonuses at first were large, but, in order to make the scheme more of a reality to the workers, in 1889 the employees were grouped into four classes, three of which received bonuses in the ratios of 4, 2 and 1, and the fourth nothing. This classification, which was based on merit,

had the effect of arousing the interest of the workers, and the scheme has continued with variations up to the present. The business was incorporated in 1890, when the classification of the workers was abandoned. All workers earning not more than three hundred pounds (or fifteen hundred dollars) a year received the same dividend on wages as was earned by the common stock. They were also encouraged to use this dividend to purchase stock in the concern. Very few of the workers at first actually purchased stock, and the management began to feel that the workers accepted the dividends simply as part of their salaries or wages, with the result that in 1903 they made the scheme for profit-sharing dependent on ownership of stock.

The scheme in force at present is as follows. Every permanent employee earning not more than four hundred pounds a year can purchase or have purchased on his behalf at market value an amount of common stock of the company equal to the amount of his annual wages. This stock is held for him by trustees till he pays for it. The employee is allowed to pay for it as he likes provided that not less than one-twentieth of it is paid for every year by equal instalments of one-twelfth each month. An employee holding such stock becomes a profit-sharer and the dividends he receives as a profit-sharer are applied to the payment of the stock. When the payment is completed, the dividends go direct to the employee. The profit-sharing employees formerly received a dividend on wages equal to the rate of the stock dividends, which began at twelve per cent. and later increased to twenty per cent. A later amendment to the scheme introduced a scale by which in the first year of participation the rate is ten per cent.; the rate rises by one per cent. yearly till, after the eleventh year, it is twenty per cent. The profit-sharing dividends are paid

annually to employees who hold the requisite amount of capital. It may be added that any employee whose wages are raised above four hundred pounds per annum and who therefore becomes disqualified from sharing in the profits has his salary or wages raised sufficiently to compensate him. Employees who have completed their payments are allowed to purchase savings certificates which bear interest at the rate of six per cent. and which eventually can be used for the purchase of additional stock.

In 1918 the company started an employees' conference committee consisting of representatives of the employees elected by departments and half of that number of representatives of the management appointed by the management. The employee members sit on the committee for two years and the management members for one year. The former elect the chairman and the vice-chairman from amongst themselves and form an executive committee. The employees' representatives alone and the joint conference meet alternate fortnights. The service supervisor of the works is secretary of both the committees but has no vote. It may be added that an arrangement also exists for the election of three employee-representatives to the board of directors.

The firm has also a pension and benefit fund from which employees receive annuities on retirement brought about by age or disability. Payments are made for temporary or partial disability, and there are also death benefits. The firm contributes two-thirds and the employees one-third; the annual amount put to the fund is two per cent. of the wages bill.

It may be added that purchase schemes have been introduced into a number of concerns in Great Britain. A good example is that of Messrs. Alfred Hickman, Ltd. Messrs. Hickman's scheme provided for the creation of fifty thousand £1 first preference shares to be

purchasable only by employees. The interest on these shares was six and a half per cent., cumulative. Ordinary shares ranked for six and a half per cent. interest, non-cumulative. The first preference shares and the ordinary shares, after the six and a half per cent. had been paid to each (with arrears if necessary to the first preference shares) ranked equally for any further dividend. If the first preference shares passed into the possession of anyone who was not an employee, or if they were owned by employees who had retired from or left the business, they became simply first preference six and a half per cent. cumulative interest shares without any right to participate further in the profits. The company made special provision for purchase by the employees. Each half of the year was taken as a complete period and purchases had to be completed within the six months. For each share the worker wished to buy he had to pay 2*s*. 8*d*. on allotment and agree to a weekly deduction from his wages sufficient to complete the price within the half-year. The scheme of Messrs. Hickman came to an end owing to the purchase of the business by Messrs. Stewarts and Lloyds, Ltd. The workers who held shares of the nominal value of one pound in Messrs. Hickman received in exchange a deferred share in Messrs. Stewarts and Lloyds, plus 7*s*. in cash.

Messrs. Rolls-Royce have also created a special class of ordinary shares which employees may purchase at par. When an employee leaves the firm he must sell his shares back at par. A special percentage of the profits is payable to the welfare scheme of the works. Messrs. Selfridge in 1919-20 offered £100,000 ordinary shares at par to employees in the firm "to encourage saving and to reward the delightful loyalty of the staff by loyalty in return." These shares are entitled to a

dividend at the minimum rate of six per cent. and rank for dividend prior to the ordinary shares, but after the preference and the deferred ordinary shares of the company. The shares carry a dividend of two per cent. more than ordinary shares, but the percentage of the return is limited to twelve. The shares are not transferable or negotiable, and if the holder leaves the service of Messrs. Selfridge he returns them at par with six per cent. interest up to date.

Other examples of the purchase scheme are those of the Bradford Dyers Association the Blaenavon Iron and Coal Co. Ltd., South Wales, and Messrs. Crompton and Co., Electrical Engineers, London. The principles underlying these schemes are all very much the same.[1]

Another American scheme which deserves notice is that of the N. O. Nelson Manufacturing Co., St. Louis, Missouri, which has several factories and branch houses throughout the United States.[2] The profit-sharing scheme of this firm has been in operation since 1866. All employees get a percentage of their year's wages depending on the profits of the firm for the year. Wages are paid at the prevailing market rates, and capital is first guaranteed remuneration at six per cent. The profit-sharing dividend as a rule is paid in stock of the company, which has paid six per cent. since 1878. There is no elaborate set of rules or regulations for the plan of the Nelson Co. The directors combine their profit-sharing plan with a fairly elaborate welfare scheme which in name and object reminds one of the efforts of Leclaire and Godin. An employee must be six months in service

[1] For further details see the Annual Reports of the Labour Co-partnership Association.

[2] See *Co-partnership After the War*, issued by the Labour Co-partnership Association.

before he is eligible to participate in profit-sharing, and stock certificates are issued only after he has been three years continuously in service. Although the certificate may not be actually issued, the profit-sharer receives six per cent. cash interest on his profit-sharing dividend and this amount is placed to a deposit account so long as he remains with the company. Stock certificates issued to the employees become their own property, just the same as any other stock which they may possess. Employees may not speculate in the stock, for no one who sells his stock can remain in the employ of the company. If he leaves the company he can sell his stock as he likes. As a rule the company makes arrangements to buy in stock themselves from departing employees.

At the company's factory town, Leclaire, in Illinois, there is an elaborate arrangement for kindergarten, free classes, concerts and all sorts of amusements for employees. There is a pension fund for superannuated employees, and a sick benefit fund. There is a Leclaire store owned and managed by the employees on the Rochdale plan. A model village has also been built where the workmen own their houses and where every effort has been made to make the conditions as salubrious as possible.

The example of the English profit-sharing gas companies has been imitated in America.[1] The scheme of the Boston Consolidated Gas Co., is very similar to the gas schemes in operation in England. The company works under a Sliding Scale Act which fixes the standard price of gas and also the standard rate of interest. For every reduction below a certain price the company is permitted to pay one per cent. additional dividend. The dividend on wages is calculated at the same rate as the

[1] See *Co-partnership After the War.*

dividend on stock and is apportioned only to those employees who have worked for a whole year. Each employee has an account kept for himself and interest is allowed at the rate of four per cent. As soon as the amount is sufficiently high to purchase one or more preferred shares, these shares are bought in the open market and given over to the worker as his absolute property, except that, if he sells them without the consent of the directors he may be struck off the list of profit-sharers for a year or more. The company also receives additional deposits from workers on which they pay four per cent. From 1907 to 1921 the dividend on wages averaged close on eight per cent.

With regard to the workers having a share in the control of the company, the following account, given by the company, is quoted by the Labour Co-partnership Association:—

"The logical extension of the plan by which employees secure an ownership in the business is to have them represented on the Board of Directors in order that they may have a voice in the management of the company. Accordingly the company has recently invited the nomination on the part of the profit-sharers of a representative of their own selection to serve as a director of the company during the coming year.

"This plan has been patterned largely on that so satisfactorily employed by some of the London companies, where it has proved eminently successful. It is believed that this direct participation in the management of the company will still further serve as an incentive to the employees to increase their efficiency. If they feel that their own individual effort will result in increased profits to them, and that their own interests are represented on the Board of Directors by one of their own number, they are bound to work more cheerfully and effectively. The

value to any business of increasing the intelligent and carefully directed effort on the part of its employees cannot be over-estimated, and in the case of our company the operation of the profit-sharing plan has been a great factor in effecting the desired result. We believe that by dividing our profits on the one hand with the public in the form of reduced prices, and on the other hand with our employees by a dividend on their wages, we have created such a joint partnership among the public, the employees and the company, that every effort on the part of the management and of the employees will be directed to the mutual advantage of all the partners to the business, the stockholders, the employees, and the public."

A note may also be made on the well-known scheme of Henry Ford, "a kind of profit-sharing plan," as Mr. Ford himself calls it. This scheme was introduced at the beginning of 1914 at his Detroit Works, and has since been extended to other branches of the Ford interests. For many years Mr. Ford has been genuinely interested in the uplift of the working classes apart from the idea of increasing output and profits. The object of the 1914 scheme was to secure social justice, to raise the standard of life of the workmen, and to avoid any appearance of charity.[1] The main principles of the scheme were these:

[1] Previous to the introduction of the 1914 plan, profit-sharing had been in vogue in the Ford works since 1909 Eighty thousand dollars were distributed in that year to the workmen on the basis of years of service. A one-year man received 5 per cent. on his year's wages; a two-year man 7½ per cent.; and a three-year man 10 per cent. Mr. Ford objected to this plan on the score that it had no direct connection with the day's work. A man did not get his share until long after his work was done and then it went to him almost in the way of a present. "It is always unfortunate," says Mr. Ford, "to have wages tinged with charity." Before proceeding to introduce another scheme, he had wages scientifically adjusted to jobs by means of time study. Each job was standardized and the wage rates fixed, in 1913. There was no piece work. Some men were paid by the day and some by the hour, but there was a required standard output below which a man was not expected to fall. Mr. Ford's principle is that there must be a fixed day's work before a real wage can be paid, and with this background he introduced his 1914 plan.

The minimum wage for any class of work, under certain conditions was five dollars a day. The working day at the same time was reduced to eight hours, and the weekly hours to forty-eight. When a new employee was engaged, he was first taken in hand by the educational department, which explained to him the principles of the profit-sharing scheme and asked him a number of personal questions, which were duly recorded. An official of the educational department then went to the applicant's home and reported upon it. After 30 days' service with the Company (a probationary period of service which was

The following quotations from Mr Ford's book, *My Life and Work* (London, Heinemann, 1923) show the spirit behind Mr. Ford's scheme --

"This (the 1914 scheme) was entirely a voluntary act All of our wage rates have been voluntary It was to our way of thinking an act of social justice, and in the last analysis we did it for our own satisfaction of mind. There is a pleasure in feeling that you have made others happy—that you have lessened in some degree the burdens of your fellow-men that you have provided a margin out of which may be had pleasure and saving Good-will is one of the few really important assets of life A determined man can win almost anything that he goes after, but unless, in his getting, he gains good will he has not profited much."

"There was, however, no charity in any way involved. That was not generally understood. Many employers thought we are just making the announcement because we were prosperous and wanted advertising and they condemned us because we were upsetting standards violating the custom of paying a man the smallest amount he would take. There is nothing in such standards and customs. They have to be wiped out. Some day they will be Otherwise, we cannot abolish poverty. We made the change not merely because we wanted to pay higher wages and thought we could pay them. We wanted to pay these wages so that the business would be on a lasting foundation. We were not distributing anything—we were building for the future. A low wage business is always insecure." (Pp. 126-7.)

"If you expect a man to give his time and energy, fix his wages so that he will have no financial worries. It pays Our profits, after paying good wages and a bonus—which bonus used to run around ten millions a year before we changed the system—show that paying good wages is the most profitable way of doing business."

"There were objections to the bonus-on-conduct method of paying wages. It tended toward paternalism. Paternalism has no place in industry. Welfare work that consists in prying into employees' private concerns is out of date. Men need counsel and men need help, oftentimes special help; and all this ought to be rendered for decency's sake. But the broad workable plan of investment and participation will do more to solidify industry and strengthen organisation than will any social work on the outside." (P. 130.)

afterwards dispensed with), the following classes of workmen were declared eligible to participate in the scheme :—

(*a*) married men living with and taking good care of their families ;

(*b*) single men, over 22 years of age, of thrifty habits ; and

(*c*) single men, under 22 years of age, and women solely responsible for the support of some relation.

Further personal reports were secured, and, once the employee had reached the requisite standard, he had to sign a profit-sharing warrant authorising the extra payment, in which the employee specifically recognised that the extra payment was not part of his wages and might be discontinued at any time. If the further reports showed that the individual was not up to the standard, his share was withheld pending improvement. Failure to reach the standard or falling off from the standard meant withholding or withdrawing the bonus : but in each case the individual was given ample opportunity to make up his shortcomings. The principle adopted by Mr. Ford was that wages were paid for the work done, and that a share in the profits was paid for good personal qualities and character. A distinctive feature of the Ford scheme is a special staff for explaining the profit-sharing scheme and reporting on individual cases.

Another feature of the Ford plan was to pay the profits every two weeks with the wages. The profits were approximated in advance to the wages of those qualified to participate. In Mr. Ford's words : " A man was paid his just wages—which were then on an average of about fifteen per cent. above the usual market wage. He was then eligible to a certain profit. His wages plus his profit were calculated to give a minimum daily income of five dollars. The profit-sharing rate was divided on an hour

basis and was credited to the hourly wage rate, so as to give those receiving the lowest hourly rate the largest proportion of profits. It was paid every two weeks with the wages. For example, a man who received thirty-four cents an hour had a profit rate of twenty-eight and one-half cents an hour—which would give him a daily income of five dollars. A man receiving fifty-four cents an hour would have a profit rate of twenty-one cents an hour—which would give him a daily income of six dollars."[1] The conditions of this "prosperity sharing plan" were the standards of cleanliness and citizenship certified by the investigators in Mr. Ford's "Social Department."

In the English branch, there has recently been added an investment scheme, and it may be noted that the share in profits which previously used to be granted only to qualified workmen is now merged in the general wages rates, the qualifying period having also been dispensed with. By the investment scheme the employees are given facilities to invest some of their savings in the firm. Any man may lodge with the Company, within three days of the receipt of his wages, any amount varying from one-third to two-thirds of his weekly wages for investment. When these sums are sufficiently large, certificates are issued in the name of the employee at the rates of £10, £25 and £100. Odd sums paid towards the purchase of certificates are guaranteed 3 per cent. interest per annum, and all completed certificates are guaranteed 6 per cent. If the earnings of the Company permit, additional payments are made half-yearly at a rate to be fixed by the Directors. The investment scheme may be joined by the new employees as soon as they enter the firm.

Space does not permit of further analysis of American schemes. Profit-sharing has its ardent advocates, such as

[1] *My Life and Work*, pp. 127-8

Ex-President Eliot of Harvard University, who sees in it one of the chief means of settling the industrial strife of to-day, and its enemies. On the whole it is safe to say that the subject is not as yet a vital issue in the country. Several reasons have been given for the relative slow progress of the profit-sharing movement in the United States. Undoubtedly one of the chief of these reasons is the fact that the schemes themselves have never been placed on the same definite basis as similar schemes in England and France have been. In America, too, employers have been inclined to favour other means of paying their employees for special work done. This has already been dealt with in the previous chapters on bonus systems, and of Scientific Management. Nor have the American trade unions been particularly favourable to the movement. Apart from these considerations, the general conditions of industry in both the United States and Canada (and also other new countries) differ materially from those in the older countries of Europe. Industry is conducted on a more rapid scale. And, even to-day, the vigorous employee in America looks forward to become an employer of labour himself in the near future. There is a lack of stability both about the industries themselves and about their labour, which militates against schemes the value of which depends upon their existence over a long period of time. The idea of 'rush and hustle' permeates not only the American captain of industry, but also the better class of working man. Such a working man prefers to work hard and make as much money in a short time as possible, with a view to its possible investment in an independent business as soon as he can. Another factor which has militated against profit-sharing, which to be successful really requires a basis of communal feeling, is the mixture of the labouring population in the country. The large influx of immigrants, although adding to the

labour population, does not, at least in its first or second generation, add to solidarity and harmonious working. Lack of common ideals, lack of common language and a general feeling of transitoriness, all militate against not only permanent schemes such as profit-sharing, but also against the more ordinary and normal organisation of effective trade unions.

Note on Profit-sharing in France.

Since the section on profit-sharing in France (pp. 163 sqq., *ante*) went to press, much further information has become available as the result of the publication by the French Ministry of Labour of a report entitled *Enquête Sur la Participation aux Bénéfices* (Paris, 1923). In 1920 two bills on compulsory profit-sharing were introduced in the Chamber of Deputies, and an enquiry, of which the above report is the outcome, was undertaken by the Government with a view to ascertaining the existing position of profit-sharing in France. The figures given in the report may be misleading unless compared carefully with figures for other years for profit-sharing enterprises of the same, or a similar type. Thus in 1889 the number of enterprises estimated to be in existence in France was 120, in 1893, 126 (officially, but 145 by a private enquirer) and in 1901, 88. In the report just issued, however, the number of instances examined is very much above these figures. The report covers 328 labour co-partnership associations, out of 475 such associations known to have been in existence in 1920; 11 joint-stock companies whose articles include profit-sharing regulations, 51 mining enterprises, and 168 other schemes, started by the voluntary initiative of employers. This classification is explained by the existence of different acts bearing on profit-sharing, or co-operative production.

In December, 1915, an act was passed regulating co-operative production societies, sometimes also called labour co-partnership societies, on a profit-sharing basis. Organisations of this type do not come within the purview of profit-sharing and co-partnership as discussed in this book. The societies which the French Act of 1915 regulates are formed among workmen themselves. The employees are employees of a group of themselves, not of an owner or company. Thus there is no question of the initiative of the owner in the creation of profit-sharing; the societies share the profits among the members of the society—a sort of joint-stock scheme among workmen, comparable to the recent English guilds.

The second class is explained by an Act of April, 1917, which regulated, within certain limits, a special class of joint-stock companies, whose articles include profit-sharing regulations. This Act is a permissive, not compulsory, measure. In 1919 another Act was passed, which created a new class of profit-sharing enterprise—mining companies. Under this Act persons or companies applying for new mining concessions *must* adopt a profit-sharing plan for employees. This is a compulsory measure, unique of its kind. It may be added that in October, 1921, another Act was passed by which railway employees must be paid certain amounts from railway receipts. These payments, however, have no direct relation to profits, and the report does not analyse the results of the Act.

For various reasons the French investigators rejected a number of the schemes in existence, *e.g.*, some did not satisfy their basic definition, and others had only recently been started. The number of schemes actually analysed was 460, including 328 co-operative production schemes. The latter deducted, only 132 schemes are left, and it is

this number which must be compared with the latest pre-war estimate, *viz.*, 88 of 1901. But of the 132 only 75 were started by private initiative, while the 1901 figure includes only schemes thus started. Of the 75 such schemes over one-third have come into being since 1919, so that it will be seen that, at the end of the Great War, the profit-sharing movement had reached a very low ebb in France. The recent rise in number is significant, in view of the English experience that the waves of profit-sharing tend to follow closely periods of industrial unrest.

The 75 instances of profit-sharing schemes which fall within the purview of this book were distributed thus: 17 in insurance and banking houses, 15 in metal working concerns, 13 in commercial concerns, and the rest in various industries. It will be noted that insurance and banking houses in France still take a very prominent part in French profit-sharing, and it is interesting to note in this connexion that their example has spread to England, where Lloyds Bank has recently introduced a profit-sharing plan. Further examination of the French schemes shows that in only six cases does the scheme rest on a contract basis. In 12 schemes, though there is no contract, the articles of association govern the administration, or the rules are issued separately. In 27 cases the distribution of profits is made on the basis of custom. In respect to co-partnership, or a share of the workers in management, 58 concerns, involving close on 100,000 workmen, make no provision for a voice in control. Most of these schemes, indeed, expressly stipulate that the scheme is a concession on the part of the employer and that he reserves the right to alter or suppress it. In only a small number of concerns—17, involving about 6,000 workpeople—are the employees given a share in management or an opportunity to criticise. In seven cases there

are advisory committees; in several cases either one employee, or representatives of the employees, or auditors appointed by the employees are permitted to examine the balance sheet of the firm; while in four cases (*e.g.*, in the Familistère at Guise) the employees have an absolute right of control.

The questionnaire issued by the French Ministry of Labour included many items of interest—*e.g.*, the effect of profit-sharing on labour turnover, on output, and on the relations between employers and employees. Twenty-four answers stated that labour turnover had diminished because of profit-sharing, while three said there was no effect. No effect on output was reported from 17 instances, and in increase of output in 20. In one instance it was reported that profit-sharing had led to an attempt on the part of the employees to get rid of the least-skilled workers, with the result that the accident rate fell so much that compensation insurance could be effected at half the normal premium. With regard to the relations between employers and workers, 27 concerns reported better relations than under other conditions; a few reported no change, and a small number said conditions had become worse and that the schemes would be suppressed.

With regard to method of payment, in 37 concerns the shares were reported to be paid in cash; in 16 partly in cash and partly by contributions to mutual aid or pension funds; in 22 no cash payment was made, but the shares were placed to the credit of the employees either in special funds, or savings accounts, or invested in the stock of the company. It may be noted that the French survey included some 25 concerns in which the rate of distribution is fixed annually by the employers. Schemes in which the rate is not fixed beforehand are not, strictly speaking, profit-sharing schemes according to the standard English and French definitions. In the

remaining 50 schemes the rates are fixed in the regulations of the schemes. In this connection, it is interesting to note that, at a discussion in the French Council of Labour, held in 1923, certain general conditions were accepted which should govern profit-sharing schemes. The Council refused to countenance any measure making profit-sharing compulsory, nor would they agree that profit-sharing should be made quasi-compulsory by means of government departments stipulating its existence before any tender from a private firm could be accepted. The Council however agreed to the following conditions—that the amount of profits to be distributed should be fixed by regulations in advance; that the scheme should not contain illusory conditions, for example, it should not be the privilege of the employer to exclude certain employees at the moment of distribution; that the proportion to be given to each participant should be fixed beforehand by regulations; that no modification of the scheme should be admitted for the current year of administration; and that all disputed questions, being questions arising out of the employment contract, should be brought before the probiviral court.[1]

Note.—Space does not permit including here further references to recent profit-sharing schemes or proposals. For these the reader must be referred to the publications of the International Labour Office, particularly the *Studies and Reports* series, and *Industrial and Labour Information*. The latter publication gives summaries of both official reports and private schemes, and up to date statistics for each country for which such statistics are compiled. Further information on the attitude of the French Higher Labour Council towards profit-sharing will be found in *Industrial and Labour*

[1] *Vide International Labour Review*, March, 1924.

Information, Vol. VIII, Nos. 6-13, and on the attitude of French labour in Vol. VII, No. 3. A summary of Mr. B. E. Peto's Bill on Profit-sharing, introduced in the House of Commons on the 17th April, 1923, is given in Vol. VI, No. 12 of *Industrial and Labour Information* (see also Parliamentary Debates, House of Commons, Vol. 162, No. 39). In Vol. V, No. 3 of *Ind. and Lab. Inf.* there is a reference to the New Zealand Companies Empowering Bill, which authorises companies to issue special 'labour' shares. The Czecho-Slovakian Act of the 25th February, 1920 (*ibid*, Vol. V, No. 7) provides that 10 per cent. of the net profits of mining undertakings must go for the benefit of employees. There is no statutory profit-sharing obligation in other industries, but a summary of individual schemes is given in the same source. In Vol. VIII, No. 1, reference is made to a private Bill introduced (1923) in the Portuguese Chamber to provide for compulsory profit-sharing. A similar Bill has been laid before the Colombian Senate (1923) (*ibid*, Vol. VIII, Nos. 6-13). Numerous references are made to individual schemes—*e.g.* Messrs. Taylor's (Vol. IV, No. 11), Messrs. MacIntosh's (Britain), Vol. I, No. 1, Krupp's (Germany), Vol. I, No. 2, Mr. Thompson's (Argentina), Vol. I, No 11, and the rejection by the workers of the Rhenisch-Westphalian Electrical Works scheme (Vol. II, No. 11). The *Studies and Reports* series (B. 10) gives an interesting analysis of a proposal of the Italian Catholic party to establish profit-sharing and co-partnership.

6. Conclusion.

Like all systems of industrial remuneration and all methods of securing industrial peace, profit-sharing and labour co-partnership have failed to secure unanimous approval from those with whom they are most intimately concerned. The main object of profit-sharing is to secure harmonious relations between labour and capital, but it is only one amongst several methods which have been tried to secure such ends. Its distinctive feature is that it attempts to give the workman a definite proportion of the profits secured by his efforts, while, at the same time, it guarantees a minimum return to capital. On the one hand, it recognises the necessity of capital as an industrial agent; on the other hand, it recognises that capital is useless or relatively unproductive unless it has the full and willing co-operation of labour. This central economic maxim, once accepted by both capital and labour in a friendly spirit, gives a sound enough basis on which to proceed. The various schemes of profit-sharing vary so much in detail that it can safely be said that there is no one type better than another. The success of profit-sharing depends on the spirit of co-operation and the judicious application of the methods adopted. Few systems of payment have secured such enthusiastic support as profit-sharing from those who favour them, but it is to be remembered that a very large amount of the literature on profit-sharing is of a definitely propagandist character. The other side of the question—the drawbacks of profit-sharing—have to some extent been shown above; for not the least interesting of the most recent statistics of the United Kingdom and other countries are those which show the large number of schemes which have been abandoned.

One of the main arguments of the supporter of profit-sharing is that the division of profits between the capitalist, managers and workmen is the only satisfactory and economically just method of remunerating the chief agents of industry. It is taken for granted that capital is necessary; that it performs a function which requires remuneration, which must be sufficiently attractive to bring forth the capital for the industrial purposes required. Capital, thus, is the basis of all industrial operations. The source from which it is provided is not of the first importance. It may be provided by one individual, who may be the employer, by a number of individuals in the form of a joint stock company, or by a number of individuals in a co-operative society. Whatever form the capital takes, profit-sharing recognises that as such it has a fundamental claim to remuneration. Once this is accepted, the question arises as to how employers, managers and workers are to be remunerated. When capital is secured, the employer, who, in all probability, has provided a large amount of it has to see that it is productive. To this end, he requires a supply of labour, the wages of which must be determined by various factors, such as the supply and the demand for labour in similar or other industries, the likely return on the capital, and profits. Profits depend mainly on the efforts of the organisers and labour; it is both logical and just therefore to allow managers and workers to share in the result of their work. Profit-sharing thus seems naturally to fit into the industrial machine. It correlates effort and results as no other system can.

However excellent profit-sharing may seem in theory, only facts elicited from those who have tried actual schemes supply the requisite evidence for the formation of a judgment. These facts show that, while a large number of profit-sharing schemes have failed from one

reason or another, a large proportion of them have not only succeeded in gaining the object for which they were started, but have continued to exist over a long period of years, and, in fair times and foul, have secured the co-operation and consent of both the managers and the employers concerned. It is to be remembered that we are speaking only of definite profit-sharing schemes in this connection. In the modern world, a very large proportion of employers have recognised that not only from a philanthropic but from a financial point of view it is beneficial to spend considerable sums of money on what has now come to be known as welfare schemes. The efficiency of the workman, shown in both the quantity and quality of output, depends upon his mental and physical efficiency, which, in its turn, depends upon good conditions in the factory, good conditions of housing, and good conditions in his general life. All these repay the employer; they may originate in the enlightenment, philanthropy or good feeling of an employer or they may be coldly calculated means to secure higher profits. Doubtless, these schemes operate to promote good fellowship in industry; but profit-sharing goes further. It definitely states that, once a minimum remuneration has been given to capital, the workman is entitled to a *pro rata* amount of the surplus; it is in his interest, therefore, to make that surplus as large as possible. Hence arises one of the chief arguments of the advocate of profit-sharing, namely, that it increases the quantity of output; he also holds that it increases the quality of the article by either the direct or indirect process of making the employee feel that in every operation within the factory he has close personal interest. Thus the employee exercises more care with his tools; he takes more care of the piant of the factory, and he exercises his own ingenuity towards

lessening the costs of superintendence and working costs generally; it is in his interest too not to go on strike.

From the few examples that have been given here, and from the numerous examples that are given in the many publications on the subject, there is clear enough evidence that profit-sharing, as compared with other wage systems, helps to increase the quantity and quality of the product; it also promotes care of, and economy in materials. The experience of profit-sharers is by no means unanimous on this point; but there certainly is evidence enough that profit-sharing *has* produced these results. Although it is impossible here to give the evidence of individual pioneers of, or present-day practical exponents of profit-sharing, it may be noted that page after page of enthusiastic evidence can be produced which goes to prove the above remarks. On the other hand, the evidence of abandoned schemes shows that these results do not by any means universally follow from profit-sharing.

The same general conclusion applies to the argument that profit-sharing tends to promote industrial peace. Strikes are by no means unheard of in profit-sharing firms. But it may be said with certainty that in profit-sharing firms there is less dispeace than in non-profit-sharing firms. Profit-sharing itself might well tend to make workmen hesitate before going on strike, unless, indeed, the strike were connected with the profit-sharing scheme itself. It is the element of co-partnership that is the most important point in connection with industrial peace. In the best examples of profit-sharing, special committees or organisations of some kind are instituted, by which the workers themselves are given a very large, if not full control of the scheme in force. However this committee may be constituted, or whatever may be the share of

control that the workers exercise, there is no doubt whatever that the existence of the spirit of co-partnership militates against industrial unrest. The spirit of common interest in the firm cannot but bring together capital, employers or managers, and labour. In this way, profit-sharing and co-partnership perform the functions which are now usually connected with Whitley Councils. Managers come to know workmen; workmen come to know managers. Their mutual interests, their grievances, their difficulties are fully and freely discussed, and if the will to live in peace exists, the methods to secure it are always present.

One of the chief arguments in favour of profit-sharing voiced by the pioneer Leclaire was that profit-sharing would secure stability in respect to service. In other words, one of the main objects of profit-sharing is to retain good employees, or to lessen labour turnover. To secure this end, many schemes graduate their benefits according to length of service, in order to hold out an attractive future to younger men. Many of those who have practised profit-sharing have given testimony that it has produced stability in their labour, and has tended to lengthen the service of their workmen. On the other hand, there is evidence to show that workers tend to forget the purposes of profit-sharing, that they often come to take their share as granted, that the share comes to be looked on as a right, and that they become dissatisfied if it falls below normal or is non-existent. As contrasted with other systems of payment by results, profit-sharing suffers from the fact that the profits are not immediately realisable or even visible. More than any other system of payment profit-sharing requires a long view. Workmen often prefer money down to promises: they prefer 'ready' prices to 'futures.' In every profit-sharing

scheme, therefore, it is essential that the workmen should be periodically educated its advantages, in its encouragement of saving, its provision for disability or old age, as well as in the principle of sharing prosperity. Otherwise the workman may be tempted to contrast the higher immediate returns of piece-work or of premium systems with the more modest annual returns of profit-sharing.

One of the drawbacks of profit-sharing is that profits may be spread over such a large number of employees that the portion of each individual is so small as to be unappreciated. The share, of course, depends on the total profits of the firm. But the workman, especially the unthinking man, is apt to compare large profits shown in the balance-sheet with the small sum he himself receives. In large establishments, this undoubtedly has an effect on many workmen, and it may be thus argued that profit-sharing as a system of remuneration is best suited to small establishments, where the personal relations between managers and workmen are more easy, and where the individual workman is able to appreciate the sums distributed to him. Even in small firms, small profits mean small bonuses; but there, there is not the same tendency on the part of the workmen to contrast the large profits of large-scale organisations and the relatively small sums that ultimately dribble through to the individual. In small firms too it is easier for the workman to see the results of his own efforts. In very large firms not only do workers have a greater incentive to slack and trust to others making up for their slackness, but the mass *esprit de corps* so essential to root out slackness is more difficult to secure. Profit-sharing thus seems to be more fitted for small firms, especially firms of a family type, in which loyalty to an individual employer is also often an

additional asset. Many instances of successful profit-sharing have owed much to the initiative of individuals—either the owner of the firm or an outstanding personality in the directorate. This personal element is apt to be discounted, but the normal individual more easily worships an individual hero than an impersonal limited liability company. Companies, especially large and powerful companies or corporations, sometimes breed a loyalty akin to national loyalty; but even in great corporations the personality of individuals is necessary for the success of individual schemes.

One of the most common arguments against profit-sharing is that, to be logical, it should also involve loss-sharing. This, however, is a misunderstanding of profit-sharing. Profit-sharing is granted on the basis of wages already paid. In other words, the worker receives a fixed rate of wages at the rate current in the locality and industry concerned. This rate of wages is independent of the profit-sharing scheme. The workman shares in the profits only if the profits admit of sharing according to the individual scheme in existence. Undoubtedly, profit sharing schemes are at a disadvantage in dull times when the profits are not sufficiently high to admit of extra remuneration to labour, but, especially if the principles of the scheme are kept periodically before the workmen, the workmen are not likely to be so unreasonable as to insist on sharing what does not exist. For the prevention of ill-feeling in such bad times, it is essential that in all profit-sharing schemes, the workmen should not only be taken into the full confidence of the managers of the scheme, but that they should, if necessary, be allowed to examine the books of the firm. Undoubtedly it is a strain on the financial feelings of workmen to receive no profits in periods of depression, especially as in periods of good trade, their shares may sometimes have been

large. Only mutual trust between employers and employees can lessen this strain. The very essence of profit-sharing is that the workman should receive the benefit of his whole work in those periods of trade when his work results in profits to the firm. Were profit-sharing to become looked on by the workman as practically a right, whether profits were sufficient to pay prior claims or not, then no employer in his senses would ever think of introducing such a scheme. Experience has shown that work people have become disgruntled when periods of depression have curtailed or cancelled their share in profits, and even have voted for the abolition of profit-sharing schemes, especially if those schemes have at all interfered with the normal and more powerful activities of their trade unions.

Another question arising out of the above has been raised both by opponents and supporters of profit-sharing: they argue that the workman must be prepared to share losses out of his actual wages. In other words, if the workman is admitted to a percentage of profits in good times, he must be prepared to accept an actual lessening of his wages in bad times. This, again, is a misunderstanding of profit-sharing. Profit-sharing, as understood in the previous sections, grants to the workman his fixed rate of wages. It does not demand any diminution of wages. The share of losses is a much wider question. In all probability, a profit-sharing employer, in times of adversity, may have to approach his employees and frankly tell them that the rate of wages which he pays is too high to permit of him continuing to pay the present rate. This is quite a different matter. Every employer, whether he is a profit-sharer or not, periodically has to face exigencies like these. No normal employer wishes to reduce wages; the reduction of wages most usually is the result of bad trade. Good

wages and good profits go hand in hand. But times do come when bad trade and reduced profits must lead to a revision of wage rates. In such periods, capital and labour may both have to bear losses in order to carry over to better times. If continued for a long period, such losses must lead to closing down or to ruthless cutting down of costs. The claims of the several factors in production must be readjusted, and labour must take its chance along with capital. Profit-sharing, however, does not imply that trading losses should be paid out of previously earned wages. If profits are nonexistent, it automatically follows that workmen can have no share; and if profits are small, the resulting share of labour is also small. Workmen thus have to bear losses just as capital does. In specially bad times, moreover, the probability is that wage rates will be reduced, and in this sense it is true to say that losses are paid out of wages. In such contingencies no system of payment can prevent wages falling, but it may reasonably be expected that concerns in which co-partnership has been in vogue will be able to face their difficulties with less friction than others.

The attitude of organised labour towards profit-sharing and co-partnership is on the whole antagonistic. Organised unionism looks upon such methods with suspicion.[1] Trade

[1] The following extract, taken from the *International Steam Harvester* (reprinted in Bloomfield's *Problems of Labour*) represents the extreme labour view —

"Profit-sharing is an attempt to throw the workers off the track that leads to victory.

Labour and capital, it is claimed by those who advocate it, should end their conflict by entering into partnership and sharing profits on a definite basis of division.

If the workers were to accept this seemingly generous proposal, they would find their last case worse than their first.

Speeding up would inevitably result in the effort to augment their share by increasing profits. And there would be a tendency to connive at high prices, with the same end in view.

The total effect would be most damaging to the interests of the working class. They would produce more and get less. Their labour would become intensified, while their purchasing power would decline.

unions do not look with favour on the co-mingling of interests which co-partnership requires. Profit-sharing implies community of interests between employers and employees, whereas the trade union view is that the natural community of interest is between workpeople as a class and employers as a class. Anything which tends to bring capital and labour together is held to encourage sectionalism among labour and accordingly to

The workers would do the speeding up, for capital as such is incapable of exertion. The workers would pay the high prices, for capital as such, is not a consumer.

Instead of improving their economic condition by profit-sharing, any general adoption of the scheme would lower the status of the workers and confirm their servitude.

There is another aspect of the matter, and a vitally important one Profit-sharing would destroy unionism.

The interests of the workers would be split up and divided among unrelated commercial enterprises, many of them in actual competition with one another. No longer would they be bound together for the redress of wrongs suffered in common and the assertion of rights demanded in common

They would be rivals in business and all their hopes would center on pushing the particular concern with which they were associated, thus rendering vastly more difficult any united purpose.

Unionism would disappear, and with unionism the most powerful factor making for the progress of the race.

This is a feature of profit-sharing that will commend it to capitalists, because the progress of the race means the elimination of their class dominance and the establishment of an industrial commonwealth in which they would have no function to perform.

But it would be disastrous for the workers, riveting upon them the chains of slavery and stripping them of their historic mission of carrying on the evolution of society and, by liberating themselves, setting free mankind.

A big Australian firm recently announced its intention of putting its employés on a profit-sharing footing, its managing director declaring that in this method lay the solution of the industrial problem.

That many other firms will follow suit, when the labour situation will be pregnant with revolutionary possibilities, there can be little doubt.

The workers must be on their guard against this cunning and plausible confidence trick. Nothing is for their good that disperses their interests in a thousand different directions, instead of concentrating them on one desired goal.

The industrial problem will never be solved till capital ceases to be regarded as an active participant in production, rightly demanding profits, and becomes what it really is, a mere instrument in the hands of labour, no more entitled to dividends than a pick or a shovel."

break up labour solidarity. Orthodox unionism requires every workman to concentrate on his union, and not on separate organisations dealing with major issues such as wages. Profit-sharing, it is also said, leads to the destruction of some of the standard trade union theories on output. A profit-sharer, says the trade unionist, may be tempted to work harder than the trade union standard prescribes in order to increase profits and his own share in profits. It is also said that collective bargaining as a whole is endangered by profit-sharing, for profit-sharing is essentially a single-firm institution. On these grounds, trade unions have opposed profit-sharing, although numerous instances could be quoted in which unions have actually been parties to profit-sharing and co-partnership schemes. In some cases unions have looked on the movement with a tolerant eye only because it has not assumed big proportions. There does not seem to be any good reason why trade unionism and labour co-partnership should be mutually exclusive. If it is axiomatic that capital and labour are essentially and always opposed, then co-partnership must be ruled out of court from the point of view of each party, for its very existence depends on a recognition of their common interests. Apart from extreme trade union economics, the community of interests, at least up to a point, is obvious. Capital and labour are mutually inclusive, and there is the possibility of a far wider utilisation of the profit-sharing movement by trade unions than most of them are willing to admit at present. Profit-sharing need not devitalise the so-called 'labour solidarity' any more than it destroys employers' solidarity. There is no reason why firms with profit-sharing schemes should not observe union rules and customs; they may (indeed should) pay the recognised union rates. In these days the great majority of employers are too well aware of the power of unionism to try to

'smash' it by capitalistic 'devices' such as profit-sharing; and labour should be wide-awake enough to recognise that, when joined with co-partnership, profit-sharing contains the seeds of a far more hopeful industrial synthesis than the traditional enmity of capital and labour promises.

Since the conclusion of the Great War, one or two elements in profit-sharing and labour co-partnership have made themselves particularly prominent. In the first place, with the growing democratization of industry it is quite apparent that no scheme of profit-sharing is likely to be successful unless it includes co-partnership, or, in the words of President Eliot of Harvard, an enthusiastic American supporter of co-partnership, of co-operative management. President Eliot's own words [1] are worth quoting—

"Prudent advocates of profit-sharing never represent the method as applicable in all industries, or as the single cure-all for industrial strife. They maintain that profit-sharing must always be associated with co-operative management, that is, with the effective sharing by the working people in the management and discipline of the works or shops, and also with complete accessibility of the accounts of the establishment for the elected representatives of the workers, whether members of the company's Board of Directors or merely auditors satisfactory to the employés. In other words, profit-sharing should be only one element in a scheme having three parts. The object to be attained in any hopeful reorganisation of the machinery industries is a generous sharing of control and responsibility, and therefore of profits, when there are any, after wages and interest on borrowed money have been paid. Nothing short of that will give satisfaction to both parties in the present industrial strife, and nothing else ought to. To take together a long step on the road toward lasting peace employers and employees must be really partners, with like motives for diligence, the prevention of waste, and the adoption of improvements."

[1] Taken from an article in the *New York Times*, 21st September, 1919. Quoted in Bloomfield's *Problems of Labour*.

The instances which have been quoted in this book show that the need for such co-operative management has already been amply recognised by profit-sharers. The more confidence the employer shows in, and the more responsibility he gives to his workmen, the more ready is their response. In the early days of profit-sharing, as is evident from the experience of Leclaire, Godin and scores of others, workmen were inclined to suspect the motives of employers; they feared employers even when offering gifts. This suspicion has never quite died out; individual workmen and unions alike carefully look the gift horse in the mouth. The unfortunate thing is that profit-sharing *has* been used to foster objects which the good trade unionist regards with a natural antipathy. It has been used as an instrument for driving workmen to greater production; it has been started to break trade unions. From unfortunate single instances the workman is apt to make hasty generalisations; and the only way to convince him is to give him an insight into the working of the business of which he is, so long as he works in it, an essential element, or partner. Co-partnership supplies this want.

But co-partnership, or co-operative management may mean much or little. Co-operative management may extend only to the profit-sharing funds, not to the business as a whole. It is not a difficult concession on the part of an employer to allow the profit-sharers to see how the profit-sharing scheme works, to make suggestions, and, indeed, to "run" the scheme within the limits set by the employer. This is not sufficient for modern industry. An intelligent apprentice, says the workman, could manage a fund once the principles are set down for him to follow. More is required: co-operative management must extend to the business as a whole. The workman, or his representatives,

must sit on the board of directors; he must have some say in policy. Indeed, he must have a voice in deciding what are profits. Here lies the rub. Many employers are not sufficiently democratised, or rather, de-autocratised, to admit the right of workmen to meddle in matters of policy. A master is a master; a man a man; such is the theory of many employers and corporations. Two influences, among others, are at work to kill this theory. One is the control of industry by workmen's organisations, and the consequent democratisation of industry; the other is the growing feeling that the community has a voice in the relations of masters and men, or employers and employees. The communal consciousness has turned against autocracy in every branch of life: it is already very impatient of it in public utility industries, and it does not like it in private industry. The community, too, has something to say on the subject of profits. It has already said much on such subjects as conciliation and arbitration, old age pensions, compensation for accidents, and unemployment. The very idea of "profits" indeed changes with changes in the attitude of the public to industry. If it is essential to provide for a return to capital and for depreciation in your accounts, it is also essential to provide for sickness, old age, and unemployment among your workers. This is not the place to appraise such views: the present object is only to point to the existence of a new feeling that the community has something to say about profits. It spoke with a loud voice during the war, when profits were required to contribute to the general good. With the growing insistence of labour it may be taken for granted that in due course there is to be some alteration in the economic perspective. Already voices clamour for answers to such questions as why relatively

small industrial concerns must pay to owners, employers or managers much larger salaries than the man who, at £5,000 a year, has to "run" the United Kingdom; why workers in the service of the community should serve for pittances where workers in the service of self make fortunes;[1] why the incentive in the higher reaches of industry and commerce requires such big rewards, when the humble worker has to work hard for a living: and many other why's. Such questions are the forerunners of new ideas and new institutions; that they exist there can be no doubt: and that they are radically to alter the future relationships of social grades is equally unquestionable. Behind industrial unrest there is some idea of *injustice* on the part of the workers; and it is to eradicate this feeling that schemes of industrial peace must apply themselves It is a commonplace to say that there is no panacea for industrial dispeace; everyone is only too painfully aware of it. Many of the measures passed to secure industrial peace start from a wrong basis; they are meant to cure small sores on a body which requires a complete overhaul. The working classes may, and can be temporarily appeased by a measure here of arbitration or a new scheme of payment there. But something more radical must evolve, something which must kill the lurking sense of injustice now so common in the workman's breast. Herein lies the virtue of the principle of profit-sharing joined with co-operative management. Not only does such co-operative management help to eradicate enmity, but it gives to each party, employer and employee, an idea of the other man's point of view, of his arguments, incentives, needs and difficulties. Above all it breeds good feeling and mutual confidence.

[1] In this connection the remarks of the Lee Commission on the Public Services in India (Para. 48 of their Report, 1924) may be read.

For such confidence, there is one further essential of co-partnership—publicity, or, in more vulgar language, "putting all the cards on the table." This aspect of the subject has already been mentioned in connexion with the Coal Mines Agreement in England. In a public utility industry such as coal mining, in which every citizen is vitally interested, it is difficult for either employers or employees to hide essentials; but the provision in the agreement for full analysis of figures by independent authorities is as essential to the scheme as the basic ratio which is usually regarded as its main claim to historicity. Such publicity, of course, is an essential not only of co-partnership but of all forms of industrial *rapprochement*. The Whitley Councils presuppose the mutual good-will which encourages it: so does good conciliation of all kinds. Some very pertinent remarks on this point were made in a recent number of *Industrial Peace*.[1] Advocating Joint Industrial Councils, the writer says they would do two things. First, they would examine, in a spirit free from prejudice, the principles of wage determination. Secondly, they would receive reports from a standing committee on the effects of existing wages on the industry, and their relation to wages paid on other industries, and, in general, on facts bearing on the trade. The examination, free from prejudice, of the principles of wage determination is by no means an easy matter for a Joint Industrial Council; or indeed for any council, or individual, for it involves many argumentative issues on the meaning of profits, as well as on the position of the individual industry This, however, has to be faced in modern industry, if not in the community as a whole. The author's further words are illuminating:

[1] March, 1924: article on *A Basis for Industrial Peace*.

"Machinery such as we have described would help to remove a vast amount of suspicion which now exists and which makes settlement by negotiation difficult. If employers agree readily to an advance in wages the workers' representatives are apt to feel that they have not asked for as much as they might have secured. Employers are, therefore, apt to fight against the just rise, not so much because they object to granting it, in the end, but because they feel that if they strongly resist the first they secure themselves against a second claim. The same consideration applies when the employers are claimants and the workers defendants. Each side in turn is apt to think that the other will proceed to the last stage before open conflict is reached, without actually declaring or accepting war. Wage negotiation becomes the 'higgling of the market' instead of an attempt to establish rates which are equitable in the circumstances. It is significant, for example, that whereas individual employers frequently give advances to individual workers, no employers' association has ever, so far as we are aware, taken the initiative in granting advances in standard rates; nor has any trade union voluntarily offered a reduction in wages. The moral —or non-moral—standards of the highly competitive market are tacitly accepted by both sides. If industrial peace is to be anything more than an 'armed peace,' maintained by balance of power, it must, as we have already suggested, be based upon justice. The employers and workers, having admitted this fundamental principle, must meet together and endeavour to set up some standard of justice which can be applied to the industry. And this is precisely what was attempted in the mining industry when the current agreement was established. The real failure of the agreement is due partly to its faulty drafting; partly to the abnormal conditions under which the experiment was carried out and which imposed, not only severe, but quite unfair tests of adequacy and personal loyalty; and partly to the failure to set up some machinery for joint and continuous examination of the operation of the scheme and for final test of the extent to which the agreed object has been secured."

Publicity has its more immediate uses to the employer. To show his accounts to his employees shows how capital is necessary, how it has to be replaced, and how it has

to be supplemented. President Eliot quotes [1] an interesting instance: "A curious illustration," he says, "came to light this summer (1919) in a canning establishment in the Middle West, which has a strong peak lasting from three to four months. The business is really managed by a mixed committee containing manager, directors, and foremen or heads of departments, all of whom are profit-sharers. The company is new, and has no credit as such, the borrowing power lying with the manager. Knowing that a considerable sum of money would have to be borrowed in order to carry on the business during the peak, the managing committee insisted that the life of the manager should be insured for an amount which would cover the habitual borrowings for the peak. The managing committee took this action because it wanted to be sure of the money necessary to carry on the business, in case the manager should die before or during the peak. These profit-sharers had learned in a few months much about the proper co-operation between capital and labour, although the plan of profit-sharing under which they were working was a defective one."

Profit-sharing must be done in the open. The past year's accounts must be on the table when the year's working is appraised. The accounts should be full and clear, and the directors or managers must answer questions readily and openly. Thus only will the workmen know for what they are working; they will appreciate the meaning of lean as well as fat years; they will, too, know more clearly the value of their own efforts and their place in the scheme of things.

It is, of course, easy to say "should" in such cases. The writer is quite aware of the reasons which may be

[1] Article cited.

adduced *against* such publicity. First and foremost there is the "what's mine's my own" attitude of some employers, or, as a writer of a series of articles in the 'Economist'[1] recently put it, "the ingrained aversion" which owners and directors have to disclosing what they consider to be their own private affairs, not only to their officials and workmen, but also to the public. Second, there is the plea that publicity may injure individual business, or a whole industry, by disclosing information to foreign competitors. Now-a-days, however, the larger joint-stock concerns *must* disclose information, if not to the public, to their shareholders, who sometimes form a fairly respectable proportion of the public. In public utility industries, such as coal mining, publicity is essential, foreign or no foreign competition. The lights of the greater industries cannot easily be hid under a bushel. Thirdly, especially in monopolies, profits may be so large that owners do not like to publish because they are so large. Behind these lies a healthy regard for the judgment of the community: the very desire not to publish is argument enough why such profits should be published, and in these days it may be taken that the representatives of the community, the government, must see the returns. The growing inquisitiveness of the government into profits, and the share it takes for the purposes of the community, is an index of the new attitude towards publicity. Government officials are bound down by Official Secrets Acts not to disclose secrets ascertained in the course of their duties but it is never to be forgotten that Government is not a competing industry: it is the servant of the community, and as such wields communal sanction for its acts.

[1] See articles in the *Economist* of October 27th, 1923, and two preceding weeks.

Such are some of the reflexions to which a study of the relations of capital and labour leads. Co-partnership is an excellent ideal, but it does not seem destined to solve the labour problem of industry. A gradual reconstruction of industrial society seems to be inevitable: on what lines need not be discussed here. Co-partnership is a stage in evolution of a new industrial synthesis in which the relation of master or employer or worker will be gradually transformed, when social values will be reassessed, and good-will will replace the suspicion, latent antagonism and open strife of the present system. The Industrial Revolution—we often forget it is only a century old—has given little time for men to adapt feudalism to industrialism; old moulds have to be cast away before new ideas, but we are already in an age the industrial humanity of which would have made the workers of a century ago look on it as Golden. Gradually the asperities of the earlier years of the Revolution have been smoothed by humanitarian legislation. Much, from the workers' point of view, remains to be done. Industry has many social burdens yet to bear: unemployment, for example, and, perhaps, pensions to its own aged workers. As in politics, and every other walk of life, new ideas lead to new institutions, and profit-sharing and co-partnership are the outward and visible signs of the yearnings of capital and labour to find peace and good-will.

Part III

Industrial Peace and the Payment of Wages in India

(1) General Conditions of Indian Labour.

The publication of the present volume by the Calcutta University Press makes it possible for the author to include some reference to Indian aspects of the subjects dealt with here, and in the Bulletin of the Government of India (old Department of Industries) on Conciliation and Arbitration,[1] of which the earlier sections of this book were originally meant to be a continuation. The bulletin referred to contains a survey of conditions outside India, and the same general order as applied to that bulletin would have been operative in the present case, had this volume been published officially. Its publication by the University of Calcutta removes one set of official limits, and, within another set of limits prescribed by the author's official position, a short discussion may be included on labour conditions in India so far as they affect the subjects of industrial peace and the payment of wages. On profit-sharing and co-partnership little can be said, for the reason that, as understood in Great Britain and France, they practically do not exist in India.[2] Nor can much be said here on many other interesting labour problems in this country, such as wage levels, housing, health, standards of living, factory conditions, recruitment and the conditions of women's labour.[3]

[1] A summary of developments since 1921-22 when the Bulletin was published, is given in Appendix A to this volume.

[2] An interesting experiment, however, is described later in the text

[3] On general labour problems in India, reference may be made to two recently published books: *Labour in India*, by Miss J. H. Kelman (London, 1923), and *Labour in Indian Industries*, by Miss G. B. Broughton (Mrs. A. C. Chatterjee), Oxford University Press, 1924 On particular problems the most authentic sources

Before the Great War, the outside world heard little of Indian labour; nor indeed did it present any urgent problems. The acts in the Indian Statute book which governed labour conditions—the Indian Factories Act, and the various Emigration and Recruitment Acts (for internal and external emigration)—ran a very smooth course. The Great War worked mighty changes. The gradual rise in prices weighed heavily on the Indian wage-earner. Wages rose during the war period, though not in proportion to the rise in prices, and the labouring classes bore their burden patiently, till the rapid rise after the end of the war led to general unrest. The average worker hearing of the armistice had only one remark to make: "Cloth (or food) will now be cheap." In common with his brothers all over the world he was soon faced with prices rising still further. Employers tried to meet the rise in various ways. Some raised wages; others granted bonuses varying with rough-and-ready price indexes; others provided rice or cloth at cost price, or even under cost price. No system was worked out, or indeed was possible in the fast changing industrial scene. From 1919 to 1922 there was a series of strikes, small and big. Later, commodity prices began to settle down to workable limits; scales of wages (both time and piece rate) were revised, to become more or less permanent; 'bonuses' granted to meet temporary exigencies were in many cases merged in wages, and the flux of strikes subsided. During these years, however, the Indian labourer, notoriously difficult to organise in trade unions, learned one

of information are the annual reports of the provincial Chief Inspectors of Factories On the history of factory legislation. Mr J. C Kydd's *History of Factory Legislation in India* (Calcutta University Press) and Mr. A. G. Clow's *Indian Factory Law Administration* (Bulletins of Indian Industries and Labour, No 8) may be read Dr. Dagmar Curjel's *Women's Labour in Bengal Industries* (Bulletins of Indian Industries and Labour. No. 31) is an excellent summary of the conditions of female labour in Bengal. On the international bearings of Indian Labour, Bulletins Nos. 4, 10 and 17 of the Bulletins of Indian Industries and Labour may be consulted, and also the connected debates in the Proceedings of the Legislative Assembly and Council of State. The various reports of Labour Commissions are referred to in Mr. Kydd's and Mr. Clow's books referred to above. The Report of the Industrial Commission contains many valuable remarks on Indian Labour, as also do the Annual Administration Reports of the provincial and central governments.

fundamental truth—that union is strength. Different castes and creeds working in the same mill recognised a common interest, and this lesson has come to stay. Trade unions—as unionism is known in the West—are still unknown in India—but one condition of trade unionism—recognition of common interest—has been achieved and will abide.

But for the failure of wages to keep pace with prices, it is doubtful if the Indian labour movement would have made such rapid progress. Other potent influences have been at work; but whether these influences would have reacted as violently on the labouring classes as many claim that they have done, had there been no real wage grievance, is problematical. Now that labour is relatively quiet, it seems unlikely. The Indian workman, although in most cases he can neither read nor write, is a sane and sober person. He comes to the factory for a definite end, to earn wages to add to the family income and to enable him to return soon to his home. If he earns a good wage, he is not easily persuaded to give up work till he wishes to do so. In retrospect it is, to the writer's mind, quite remarkable that in an industry so concentrated in area as that of jute in and around Calcutta, there was at no time, not even at the peak of commodity prices or at the most effervescent climax of the non-co-operation movement, a general strike among jute mill employees. Local and individual mill strikes there were in plenty, but never was there any approach to a stampede of labour in the relatively small area, teeming with jute mills, which stretches from Naihati to Budge-Budge. The same is true of coal mines. This argues that, except for minor grievances, the labourer on this side of India is content to do his day's work for what he thinks a good day's wage. But other influences have been and are at work, and are to have a big effect on Indian labour in the future.

The first of these influences to be singled out is political. Early in their campaign, the non-co-operators seized on labour as a likely source of non-co-operating material. The underlying ethics of the non-co-operation movement do not concern us here: we are dealing with results. The ex-

tremist politicians strained every nerve to dislocate industry: in particular they tried to suborn labour employed by what, on the surface, appeared to be European capital. The tea gardens, coal-mines, and jute mills of India are largely controlled by European managing agents, with European managing staffs, and they came in for the full blast of the non-co-operation storm. The political leaders did not stop to consider that in these industries a very large, in some cases a predominating proportion of the shareholders is Indian, and that by destroying them they would remove the employment of hundreds of thousands of workers. Nor, in their theoretical ecstasy for home-spun or 'khaddar,' did they care to recognise that the hessians of Bengal and the piece goods of Madras, Bombay and Cawnpore were "home-spun"—though by machinery and not by the homely hand-loom or *charka*. Every mill, every garden, every coal mine was assailed; the arguments in many cases were suited to the audiences. The labour "leaders" were not over-zealous in following the precepts of Mr. Gandhi. Where local circumstances provided particularly inviting material, they were fully exploited. Thus, in Madras, the rift between caste and no-caste men, and between Hindu, Muhammadan and Christian was sedulously widened by every artifice; in the tea-garden areas economic discontent, following the worst period on record which the tea industry had encountered, was fannedinto flame. The Assam 'exodus' of 1921, in which thousands of coolies were persuaded to leave the gardens to return to their homes in Chota Nagpur and the Central Provinces, was the result. The 'exodus' meant disease and death to hundreds of the coolies, for no preparations had been made for their journey by those who stirred them to leave. Pretexts of all kinds were seized on to urge workers to strike. Alleged abuse of their powers by humble police constables, the arrest of disorderly workers, the imprisonment of political leaders, and a hundred other baits were held out to lure the workers from their allegiance. It is not surprising that there were many strikes. The Indian worker was in many cases bewildered. One thing, however, he soon recognised,

that striking was not profitable. In nearly every case in which he struck for non-economic reasons, he either lost his job or, after a vacation on no pay, had to resume on the old terms. Word soon passed round that the business of striking was not as profitable as the leaders promised. In the early enthusiasm and excitement of strikes, leaders always urged the necessity of forming unions: this meant subscriptions, and in some cases the *ad hoc* subscriptions reached considerable sums. The illiterate Indian workman cannot be expected to be able to understand the accounts of the union 'leaders': but he did begin to understand that, while he lost money, *somebody* gained. Where the money went to he did not know, but in his ignorance he jumped at the conclusion that the man who collected it must have used it. But the collector never returned the subscriptions; and that is why some leaders, who in their early grandiloquence wore the garlands of heroes, in later and soberer days were glad to leave the scenes of their heroism by back-doors, unscathed.

The extremist leaders learnt lessons from other countries: in particular, they watched the developments of the Triple Alliance in England. A similar attempt was made in India to stop communications. The big railways, the East Indian, Great Indian Peninsular, and the Bengal Nagpur, offered good ground for operations. Unfortunately for the organisers, an accident of their own making foredoomed them to disaster. In 1920, in the wake of the tea-garden troubles, the Assam Bengal Railway employees went on strike. After a prolonged struggle, the strike collapsed, and hundreds of men lost their jobs. A similar fate befell a strike on the Bengal rivers steamers. In 1921 the East Indian Railway employees went out: this was another long and bitter struggle, which ended in the capitulation of the workers; and again many lost good billets. It was now definitely proved that striking was unprofitable unless prompted by an economic grievance. In the meantime employers were active in removing real causes of unrest; wages were raised, Whitley Councils were offered or started (though they have not been successful), and minor grievances were adjusted. The

workmen began to realise that economic conditions were not so bad as extremists would have them believe. Prices were on the down grade, and wages did not follow them. The extremist leaders were discredited and, in some big centres, barely dared show their faces. Labour had been irritated to action by inflammatory speeches, fair promises never likely to be fulfilled and racial animosities, but it was never stampeded as a whole. Yet the campaign of non-co-operation left definite traces, which are likely to have important issues in the future.

One important result has already been mentioned. The workman learned the value of unity, and the utility of the strike in cases of real grievance. Another result is that the concentration on labour by the politicians has created a number of labour organisations, or unions. Most of these are paper bodies,[1] but some of them are more. These are the nucleus of real unionism, and in some cases have been registered under statutory Acts.[2] Such registration is not the work of non-co-operators, who spurn government and all its doings, but of labour leaders who have come into labour politics since the War. Some of these men started as non-co-operators, but have given up extremism and taken up labour study and work genuinely. Many now strongly denounce attempts made to embroil the worker in politics. Discarded and disowned by the extremists, they have come to stay as the pioneers of the labour movement in India. Still another effect is that labour has come to a dim realisation of its own importance. This is not yet overt, for spokesmen of labour from the labouring ranks are still practically unknown. Yet, as every mill manager will bear out, labour cannot be handled as it was handled in the old days. It now requires delicate management. Brutality, bullying, unfairness, all quickly lead to trouble—usually strikes. The new self-consciousness of labour is best described by "touchiness."

[1] More is said on this subject in connection with industrial peace.

[2] *E.g.*, The Indian Companies Act, and Act XXI of 1860 (for the registration of Literary and Charitable Societies).

This "touchiness" has been particularly marked in regard to the relations of workmen and European supervisors. The slightest affront, or imagined affront offered by a European, led, and still leads, to reprisals, sometimes physical, sometimes collective, in the form of a strike. This readiness to resentment is a result of the preachings of extremists. Happily, it has died down somewhat, but during 1922 and 1923 the records of strikes show several such instances. An example of the changing attitude is a strike which occurred sometime ago in a mill near Calcutta, for the reason that the manager transferred a popular European assistant to other work.

Other influences have been, and are at work to give Indian labour a new status. The first and most important of these is the International Labour organisation set up by the Treaty of Peace. Only those intimately concerned with labour legislation in this country know how much Indian labour owes to the International Labour Office, and its connected Conferences, Conventions and Recommendations. This is not the place to discuss the details of this subject. The curious reader will obtain the necessary enlightenment in the Proceedings of the Indian Legislative Assembly and the publications of the old Department of Industries of the Government of India. Few countries have kept faith so creditably as India with the promises made at the International Conferences. India, in common with Japan and other oriental countries, has adopted only adaptations of the main Conventions, but these adaptations were accepted by the International Conferences. In particular, the Washington Conference has had much effect—as the labour provisions of the amended Factories Act, passed in the spring session of the Indian legislature in 1921, and the similar provisions of the amended Mines Act, which came into force on the 1st July, 1924, amply show. The Government of India and employers alike have been ready to co-operate in the international labour conferences; each interest has been represented at every conference, and the authorities of the International Labour Office have not been slow to recognise

the honest work done by India in fulfilment of her duties as a member of the League of Nations.

The International Labour meetings have had a curious repercussion on Indian trade unionism. The labour delegates for the conferences are required to be chosen by a majority of unions, or by a recognised federation of trade unions: in other words, the delegates must be representatives in the proper sense of the term. In India trade union organisation is in a rudimentary state. There is no Trade Union Federation either in India as a whole or in the separate provinces. A body called the All-India Trade Union Congress, a near relation of the National Congress, does exist, but does not command general allegiance. None the less it has claimed to be the proper body to nominate delegates to the Geneva meetings, and this claim in several instances has been accepted by the Government of India, which has agreed to their nomination. Yet the body is a rather inchoate one, and its position is insecure. It may prove to be the focussing point of Indian unionism, but as yet it is not so. When the Government of India, for the International Conference of 1923, ventured to reject its nomination, the supporters of the Congress protested to the Conference, and to unions small and great in England, that the Indian labour delegate, Mr. K. C. Roy Chowdhuri, of Bengal, was not a real representative. Mr. Roy Chowdhuri, it may be remarked, was nominated by a large number of unions, but the Congress, and individual unions which recognise the Congress, sent out protests broadcast. The Committee of the Conference appointed to examine the protests unanimously upheld the nomination of Mr. Roy Chowdhuri. An incidental feature of the protests worth mentioning is that small unions in various parts of Great Britain, from London to Aberdeen, supported the protests. The protests were more or less eleventh hour documents, and how obscure labour bodies in Coventry, Aberdeen and other far-removed places were able to judge Mr. Roy Chowdhuri's position in the short time at their disposal passes the writer's comprehension. Such cases are gross

examples of the fallacy of the preconceived idea or the hasty generalisation.

The nominations for the International Labour Conferences help to keep the labour flag flying. When the time for nomination arrives, unions, or bodies which call themselves unions, spring into activity, often after a dormancy of a full year's duration; new 'unions' are formed *ad hoc*, on paper, in the expectation that the delegate will be chosen by a majority of paper votes. The Labour offices in India contain records of many such unions, bodies which do not perform at any time real trade union functions. These things, however, may not be known to such bodies as the Aberdeen Trades and Labour Council, the South East St. Pancras Labour Party, the Nelson and District Weavers' Association, the Battersea Trades Council and Labour Party, the Leicester and District Trades Council, and the Coventry Trades and Labour Council,[1] which protested against Mr. Roy Chowdhuri's nomination.

Akin to the nominations for the International Labour Conferences, a purely Indian influence of a cognate type is at work. This is the system of nomination of labour members to the Indian and provincial legislatures. Under the new scheme of things introduced by the Government of India Act of 1919, separate constituencies have been created for labour interests. The labour members are nominated, not elected, and at the time of election candidates busy themselves in finding the support of labour bodies, genuine and ingenuine. However much one may regret or scoff at such developments, the fact remains that the formation of unions is fostered by these influences. Some of the unions show fairly regular activity, and from these it may be expected that the figure strong trade unions of India will develop.

[1] These bodies supported the protest of the Bengal Trade Union Federation, which voiced the All-India Trade Union Congress views. The International Labour Conference started on the third week of October, 1923. The protest of the Bengal Trades Union Federation was dated the 22nd August, 1923. The letters of several of the British bodies supporting the protests were dated the 3rd October, 1923. See the *Provisional Record of the International Labour Conference* (Fifth Session), No. 4, dated the 25th October, 1924.

The labour unrest which has developed since the end of the Great War, and the new work occasioned by the International Labour organisation set up by the Treaty of Peace, have also led to the formation of official organisations in India to deal solely with labour problems. The International Labour Office, in particular, has stimulated labour research and the growth of machinery to deal with labour problems; this it has done not only by its Conventions and Recommendations, but also by the many enquiries and questionaires it has circulated. In India the first organisation to be created was a Labour Bureau, under a Controller. To this bureau was attached a Lady Adviser, who dealt with subjects affecting female labour. This office was established in the old Department of Industries, in the Government of India, but it was abolished as the result of the recommendations of the Inchcape Retrenchment Committee. Although the Labour Bureau was abolished, Labour itself was raised in status, for a new department, the Department of Industries and Labour, was created, under a member of the Governor-General's Executive Council. Labour legislation, it may be remarked, is, under the devolution rules issued under the Government of India Act, 1919, a central subject; that is, the Government of India is responsible for the passing of labour laws, although under section 80A (3) of the Act, provincial governments may pass legislation subject to the prior consent of the Governor-General in Council to introduce such legislation. The administration of labour problems, on the other hand, is a provincial subject. This includes the administration of the Factories Act and the settlement of labour disputes. The distinction between central and provincial generally speaking is that between legislation and administration, though, as pointed out, the line of demarcation is not rigid. The onus of labour administration falls on the provincial governments, and it is to them that we must look for the future official labour organisations. So far, only two offices have been created—one in Bombay, the head of which is the Director of the Labour Office, and one in Bengal, a nucleus, under a Labour Intelligence Officer, attached to the Commerce Department of the Government. In Madras there

is a Commissioner of Labour, whose duties include the administration of measures other than purely labour Acts. In the remaining provinces such labour work as has to be done is performed as a rule by the provincial Departments of Industries. Several labour Acts, particularly Emigration Acts, are dealt with by other departments, *e.g.*, in Bengal, the Revenue Department. It may be remarked that the various official labour organisations in India suffered from their youth when retrenchment measures were found necessary in the Imperial and provincial budgets. The present organisations, with the exception of Bombay, are only nuclei. Bombay has a fairly large office, and as a result, is the only province in which intensive enquiries have been made into labour problems—wages, hours, welfare work, etc. The Government of Bombay, through the Bombay Labour Office, also publish regularly a monthly *Labour Gazette*, the only equivalent in India of the regular publications of the Labour ministries of other countries. India suffers not from the lack of will to have labour offices, labour gazettes, bulletins and reports, but from a lack of money. In the present financial position such things are looked on as luxuries.

It almost goes without saying that, in the absence of labour offices, there were, till quite recently, no labour statistics, such as those produced by governments with highly specialised organisations. The lack of wage statistics was not felt till the post-war period, when many requests were made of Government to publish an index number of the cost of living for the working classes and also reliable statistics of wages. The examination of the possibility of constructing an index number of the cost of living for the working classes, on the analogy of the index published monthly by the British Ministry of Labour, was undertaken by the Government of India, in 1921. After full examination of the circumstances and consultation with the provincial governments, the construction of an all-India index was abandoned for incontrovertible reasons. The vast size of India, in the first place, makes the utility of such an index dubious; one might as well try to construct an index for all Europe, minus Russia. In

the second place, the habits of the working classes very enormously, as does their resulting expenditure. Wheat is the staple food of the north-west, rice of the south and north-east. Interspersed in the population too are aboriginal tribes whose staples vary from place to place. Climatic differences mean varying degrees of expenditure on houses and clothes. Hindu scales of expenditure vary from those of Moslems; and so on. Even within a province the cost of living varies greatly; in Calcutta commodities are dearer, as also is house rent, than in areas twenty miles out of it, while in northern Bengal the cost of living is much less than in South Bengal generally. To be true guides, index numbers would have to be constructed for quite small areas, and sometimes as many as half a dozen per province would be necessary. The Government of India ultimately decided to leave the construction of index numbers to local governments. At present only one index number is published, that of the Bombay Labour Office. It may be taken as a rough guide for both Bombay and India. Index numbers for wholesale prices have been published for some time by the Department of Commercial Intelligence of the Government of India (which has now absorbed the retrenched Department of Statistics). Index numbers in India must be regarded as only general guides; the figures on which they are compiled are often unreliable, though in the result errors may cancel each other.[1]

Wage statistics, of a sort, have been collected for many years. The source of publication is the annual *Prices and Wages in India*, published by the old Department of Statistics, now absorbed in the Department of Commercial Intelligence. Wage statistics are also given in the annual reports of the Chief Inspectors of Factories, from which, along with independent enquiries made of individual employers, the Department of Commercial Intelligence (or, rather, the late

[1] The decision of the Government of India on an index number for the working classes was published in the Government of India (Department of Industries) Resolution, No. L. 1919, dated the 1st May, 1922. The Report on the cost of living of the working classes in Bombay published by the Bombay Labour Office in 1922, should also be read in this connection

Department of Statistics) used to find its material. In 1921, the Government of India attempted to conduct an all-India census of wages; this enquiry was the necessary supplement to the enquiry regarding index numbers. The ready co-operation of employers was secured; minute forms for the better organised industries were drawn up and local governments were asked to collect figures. The result has been disappointing. Employers have proved ready to assist, but the machinery of co-ordination has been absent. A wages census requires a well-organised office, and this neither the Government of India nor the provincial governments (save Bombay) can at present afford. Much care was exercised over the compilation of the necessary forms by the Government of India. Employers furnished lists of occupations, or trades, in their works; and very detailed instructions were printed to guide mill managers in filling in the forms. But, though much valuable information was secured, it is quite impossible to compile a real census from the results. The first cause of the lack of success was, as pointed out, the lack of well-organised labour offices. The second was the nature of the task. No census of wages on an all-India basis will ever be feasible save for all-India services, such as the railways, posts and telegraphs, and even in these the most minute comparison of details will be essential. A general census of industrial wages of a kind may, with much labour, be compiled, but one or two factors make it not worth while. The difference in nomenclature, for one thing, is so great from province to province as to make comparison misleading. The word *mistri*, for example, does not mean the same all over India, though it is in universal use. Then again there are no standardised names for trades or occupations in the same industry. Even in the compact jute mill industry of Bengal, it is stated that workers on the same processes in neighbouring mills have sometimes different names, or, what is the same thing, workers with the same functional name work on different processes. Minute examination of returns and minute enquiries can surmount these difficulties, but when the task is extended to all-India, its magnitude may be imagined. Again, there is

the vast difference between real and nominal wages or between paper wages and total earnings: this introduces a difficulty which of course is not peculiar to India, but which is very much magnified here. The pay sheet of a mill does not show the total wages of the worker in every case. In addition to his wages, he may receive a free house, or a house at a rent much less than the rent would be if the house were let on a free market; he may receive presents of cloths (*dhutis*) at the *puja* time; he may get rice from the mill at a cheaper rate than he could buy it in the bazar; medical attention may be free or a small charge may be made for it. In agricultural work—or semi-agricultural work, such as indigo factories and tea gardens—the worker may have free land, or land at quite a nominal rent—the terms vary from garden to garden. On the other hand, the workman may have to pay a fixed sum for his job to the sirdar, or contractor. There are hundreds of ways in which wages and earnings may be confounded, and the purchasing power of wages varies from a dozen different causes. A true census should show a true comparison. Comparative values for income other than money wages vary from province to province; cheap rice in Bengal may be a greater concession than cheap wheat in the Punjab; free quarters in Bombay or Calcutta are much more valuable than a similar concession in Cawnpore, Madras, Sholapur or Dhariwal.

The only feasible method of compiling a census of wages is through the agency of the provincial governments. The work requires staff, and, if it is to be regular, compulsory powers. There is no Act in India to compel employers to give returns for census purposes, nor does it seem likely that such an Act will be passed in the near future.[1] The returns so far obtained have been voluntarily given. Inspectors of Factories may examine wages books, and, though wage returns are not made compulsory under the Factories Act, the the complete administration of the Act requires such returns. They are indeed prescribed in the forms issued by

[1] The Government of Bombay, however, have introduced a Compulsory Census Bill.

the Government of Bengal under section 35 of the Act. One section, in particular, implies the need of wage returns—section 31,[1] which prescribes the minimum overtime rate. This section, a legacy of the Washington Conference, is the first real wage census legal obligation in India, for a knowledge of overtime rates presupposes a knowledge of normal rates. But since 1921, when the amended Factories Act was passed, another Act has come to the rescue of the Factories Act: that is the Workmen's Compensation Act, which came into effect on the 1st July, 1924. The Government Commissioner for Workmen's Compensation, or the Courts which administer the Act, employers, insurance companies and all concerned *must* have wage returns; otherwise the Act could not be administered. In particular, the Workmen's Compensation Act will go a long way towards regulating contractors' labour.[2] In India contract labour is common, particularly in engineering works, and so far it has been very difficult to get from these works the returns necessary for the proper administration of the Factories Act. Such returns under the Factories Act, and the Workmen's Compensation Act will of course show only the wages entered in the columns of the wages-book. They will not be the actual earnings of the

[1] "Where, under the provisions of sub-section (1) of Section 30, any factory has been exempted from the provisions of section 27, every person employed in such factory for more than sixty hours in any one week shall be paid, in respect of the overtime at a rate which shall be at least one and a quarter times the rate at which he is normally paid."

[2] Section 12 (1) of the Act reads:—

"Where any person (hereinafter in this section referred to as the principal) in the course of or for the purposes of his trade or business contracts with any other person (hereinafter in this section referred to as the contractor) for the execution by or under the contractor of the whole or any part of any work which is ordinarily part of the trade or business of the principal, the principal shall be liable to pay to any workman employed in the execution of the work any compensation which he would have been liable to pay if that workman had been immediately employed by him; and where compensation is claimed from the principal, this Act shall apply as if references to the principal were substituted for references to the employer except that the amount of compensation shall be calculated with reference to the wages of the workman under the employer by whom he is immediately employed."

workers. But they are the genesis of and preparation for the wage censuses of the future, when India can afford them.

From the above it will be gathered that the sporadic nature of the wages returns is only an index of the relatively unorganised state of Indian industry. In the main, of course, the processes in Indian mills are the same as in similar mills in other parts of the world; only details differ, to suit local conditions. The method[1] and kind of payment and the nomenclature in India differ. Organised trade unionism, with its clear-cut demarcation, as rigid in many cases as Indian caste, between different trades or occupations would eliminate many of the difficulties; but such organised unionism in India is still far off. What organisation, both of labour and of employers, does in other countries must be done in India at present, if done at all, by the co-ordinating agency of government. So far, it must also be said, reference has been made only to the major Indian industries—such as cotton mills, jute mills, coal mines, sugar factories, woollen mills, and municipal employees. India is honeycombed with unorganised industries of which no returns are available. The writer has tried through private agency to secure some such returns, and what he has seen shows great variation even in the same city in the amount, type and method of payment—a variation which it is almost impossible to co-ordinate.

For a proper comprehension of the existing industrial position, something further must be said on the Indian factory operative. The cardinal point to be borne in mind, when comparing him with workers in the west, is that the Indian workman is originally an agriculturist. Except the very small, insignificant minority of workers sometimes called "landless labourers," every artisan, every worker, whatever his calling or grade in his calling, has some connexion with the land. The factory worker comes to the big towns from his family homestead. For the earlier part of his life, he works on the land. As younger brothers grow up, or as older brothers or other relations return from towns and factories, he

[1] Broadly speaking, of course, the main methods are the same (time and piece); this is discussed later.

leaves his home to get work, to earn wages. His relations, or someone he knows, perhaps a *sirdar* or overseer in a mill, or someone who will introduce him to the *sirdar*, will get him work. But every year he will do his utmost to get back to his ancestral piece of land--one month, two months or three months, whatever leave he can afford or can get from the *sirdar* under whom he works. His place at the mill in the meantime may be taken temporarily by a relation or a friend, perhaps an outsider, but it is part of the code or honour that the temporary man, or *budli*, will not try to get the job permanently, or *pucca*. Year after year the same process is repeated. If the man is quick at his work, intelligent and skilful, he will soon become skilled; he will earn good wages and send an increasing share to his home, to his father or mother, or for his wife and children. His wife and children do *not* accompany him to the mill, unless he can afford to keep them in premises outside the mill compound. With increasing seniority he may become a *sirdar*, the ambition of all workers. As a *sirdar* he will be able to give jobs to other men—at a price. He will perhaps become a small landlord, and his men will live in the houses he owns; they will pay him rent as well as a fee for retaining their jobs. He may also invest his savings in a shop, and the men under him will naturally buy their provisions there. As their sirdar, too, he will lend them money when they are in difficulties, again at a price. In his own native village he will buy more land, his wife will have more ornaments and better clothes; his children, if they do not come to the mill to follow in their father's footsteps, may go to school, become *babus*, perhaps change their names from their artisan appellation to a name signifying a high caste.[1] In these days, indeed, of responsible government, their path is clear to the legislatures and the ministerships. The *sirdar* himself, well furnished with the goods of this life, and full of years—or perhaps only in late

[1] The records of the University of Calcutta bear testimony to this. A special fee is charged by the University for changes of name, many of which are of this type (*e.g.*, Karmakar to Rai).

middle age—will return to his land and people. He will in all probability have so arranged matters at the mill that, if his control has gone, the family power remains. His younger brother, or son, or cousin will step into his shoes; and the mill will in the future provide, as in the past, for the members of the family who have to go to the great outside world to earn money.

In few, in very few cases does the workman "set up house on his own." He is a family man, living in a joint family, with joint property. This differentiates the Indian workman from the western workman so much as to make the same labour categories apply only in a limited sense. Hence arises the necessity, at the Geneva Conferences, of changing what has to be changed, in respect to India, when these Conferences frame their Conventions and Recommendations. Hence also arise the very different conditions which are applicable in circumstances which *primâ facie* may seem suitable for western machinery, such as conciliation or arbitration. The Indian factory operative has an independence quite unknown to the workman in the big cities of the west. If he is dismissed, he may try to get another job; if he doesn't, it is of small import, as he will go home. There he will be of some use, though the money he sends may be more welcome than his presence. At any rate, he will not starve. He will get house room, food and clothes, and he will also be able to do some work. He requires no help from rates or taxes; in short, he creates no unemployment problem.

Thus to apply the categories of western labour to the Indian workman is quite out of place. The agricultural connexion of the Indian gives him a position now unusual in the west, though in the first stages of the Industrial Revolution there was more similarity to the Indian conditions. The Indian has his joint family, which is the centre of his hopes and ambitions; he does not set up his own household when he marries or cut himself off from home associations save for occasional visits. This difference in social conditions accounts in part for what, to the outsider, may appear to have been almost reckless lack of commonsense in the Assam cooly

exodus. The coolies, in fact, were returning to their homes in Chota Nagpur and the Central Provinces. Their return in such large numbers, was likely to prove embarrassing to their native villages, which could ill-stand such a sudden influx. But each man was going to his home, and there is nothing unusual in that as far as the Indian or aboriginal workers are concerned. Each individual preserves the lien on his homestead, and the homestaying family would never think of rebutting it. But a similar exodus from a big western industrial city is unthinkable ; the English workman has his home beside his work, and when he is out of work he has no ancestral farm to fall back on. Signs are not wanting that a permanent factory population may grow up in the great industrial centres of India. Owing to reasons which have already been stated, the labour turn-over per annum in most mills is very large. Men come and go in remarkably large numbers ; but especially in the case of highly skilled men, there is a tendency to remain in work for long periods, in some cases for life, with very few breaks. This tendency will not be accelerated till the workman can settle with his family near his work. The average artisan does not desire his womenfolk to live very near mill areas, but some mills, outside the big towns, are now encouraging permanent settlement by providing small patches of land or semi-detached dwelling houses, which admit of the necessary family privacy and decencies. This tendency, already visible in many cases in the professional classes, may lead to the break-up of the family system and the growth of local Birminghams, Oldhams, and Huddersfields. Whether it is a healthy move may be very much doubted. It is to be hoped that, if India is to be industrialised, she will be able to retain some of the more beautiful of her social institutions, and to prevent much of the ugliness of western industrialism, so far as her workers are concerned.

Another feature of factory life in India which must be noted before we proceed to discuss industrial peace is the multitude of differences which may be found in almost every mill—differences of race, religion, language, caste and

custom. Thus in the Bengal jute mills may be found Sikhs from the Punjab, acting as gate-keepers, Gurkhas from the hills, also gate-keepers; Punjabi Muhammadans, as fore-men or skilled engine-room mechanics; Bengalis (Hindu and Muhammadan), Uriyas, Bilaspuris from the Central Provinces, Biharis, United Provinces men, of both religions, Madrassis, a fair proportion of whom are Christians, perhaps a block or two of aboriginals from the Central Provinces or Chota Nagpur. Among these various types there is practically only one thing in common—their membership of the staff of a particular mill; there is yet no common feeling arising from work in an individual industry. Each of these groups has its own customs, some of which are as rigid as the laws of the Medes and Persians. Several have distinctive languages. Even Hindi, which carries one far in India, will not bridge the gulf of language between the Dosadhs of Bihar and Madrassis. In several instances religions differ, and the biggest difference of all—that between Hindu and Mussalman—is an element ever present in the mill manager's mind, and at certain periods, a cause of much anxiety. The only circumstances comparable are the differences among immigrant labour in the United States, but even they are insignificant when contrasted with Gurkha, Punjabi Mussalman, Bengali Hindu, Uriya, Madrassi and Bihari working side by side. External observers are apt to flatten out all such racial, linguistic and religious differences under the generic name "Indian." The word "Indian" means much in the higher realm of politics; it means little or nothing to industrial labour. Only education, and the mutual tolerance bred of education, will soften the differences. Living in close contiguity in circumscribed areas, and service under one master, may lead to temporary unity, *e.g.*, in a demand for a general rise of wages; but continuous and sustained common action is as yet out of the question.

A few further remarks of a general nature are necessary before we pass on to discuss industrial peace in India. The number of workpeople engaged in organised industries in

India is only one per cent. of the population,[1] as compared with 71 per cent. supported by agriculture. Industry as a whole supports 10 per cent. of the population but nine-tenths of these are occupied in unorganised industries connected with the supply of personal and household necessities and the simple implements of work. The administration and protection of the country occupy nearly 5,000,000 persons, or one-half per cent. more than are engaged in organised industry. The one per cent. occupied in organised industry are spread over a very wide area. The Industrial Revolution in India is visible only in patches; India, in spite of her factories, is still very predominantly an agricultural country. The big industrial centres can almost be counted on the fingers of one hand—Calcutta, and environs, with her three-quarters of a hundred jute mills, her jute presses, engineering workshops, cotton mills, and miscellaneous factories; Bombay, with her cotton mills, Ahmedabad, also with cotton mills; Cawnpore, with her cotton and woollen mills and her tanneries; Madras, with her cotton mills and tanneries; and Jamshedpur, the biggest centre of the Indian iron and steel industry, an object lesson to employers and, incidentally, a small storm centre of labour; Lahore, Dhariwal, Delhi, Nagpur, Sholapur, Asansol and Jheria (the Bengal and Bihar coal-fields), are also important industrial centres; but, on the whole, industrial India is widely scattered. One or two centres offer opportunities for the intensive organisation of labour, and during the last few years they have had the concentrated lights of both political and labour organisers turned on them. The cotton mills of both Bombay and Ahmedabad offer, for experiment, compact bodies of labour working in the same industry. The external conditions of unionism are present for the founding not only of individual unions but of a Bombay cotton trade union federation. On the other hand, it is difficult to envisage an Indian federation of cotton mill operatives, for Cawnpore is not likely to be easily linked up with Bombay.

[1] The population of British India, according to the 1921 census, was 247,003,298 persons. The population of the Indian States was 71,939,187.

Still less likely is a union of Bombay with the Bengal cotton mill operatives, although the latter are few and relatively unimportant. The jute industry offers the best ground for a federation of workers in the same industry. Few industries in the world are so concentrated in area as are the Bengal jute mills: yet, as pointed out previously, there is not the semblance of a Jute Mill Employees' Union or Federation; indeed there are only sporadic, and rudimentarily organised, unions in individual mills. The jute mill industry, it may be remarked, employs about 320,000 persons.[1]

The only unions of any importance organised on an all-India basis are the railway unions and the post and telegraphs service unions. Even in these cases the vast area, and the multitudinous interests which that area implies, make successful organisation exceedingly difficult. Facts such as have been set out above require to be set down to remind non-Indian readers that the term *Indian* labour requires careful examination, especially when used in international relations. India is a continent in herself, with more varieties of language and custom than Europe, and the process of moulding a unity—from the points of view of the politician and labour organiser alike—requires time.

Space does not permit digressions into the very interesting subjects of housing, welfare work, migration and other labour problems. Suffice it to say here that vast strides have been made in recent years in all that appertains to the good of the worker. It is true to say that, if labour organisers, or as they are often called "agitators," have been active, employers have been still more active. Before the war much was done to provide houses and sound sanitary conditions in industrial areas and in individual concerns. The great profits earned during and after the war have greatly accelerated development. The housing conditions at most jute mills, for example, are of a high standard, though detractors may sometimes cavil at the type of house built. The houses are much

[1] The actual number in 1923 was 322,547, an increase of 6,000 on the 1922 figures and 41,000 on the 1921 figures.

better than the homes from which the workers come : in some cases very markedly so. Welfare schemes are common. Some concerns have highly paid supervisors for their welfare activities, which extend to conditions both within and without the mill. Primary education receives a great deal of support from industrial concerns, some of which have their own schools. Medical help is given in all forms—dispensaries, hospitals, nurses and maternity benefits. In some cases owners' associations have taken pains to instruct their supervising staff in their duties towards labour. A conspicuous recent example is a volume compiled for and circulated to tea garden managers, assistant managers, etc. This book contains a full account of the customs of the various types of labour recruited for tea gardens, to enable the staff to understand, and deal sympathetically with their labour. The post-war employer in India, at least in the big and well organised industrial concerns, is as enlightened and as sympathetic as, in many cases more so than, his brother employers in the west.

(2) Industrial Peace in India.

Before proceeding to describe the measures taken by the various governments in India to deal with strikes, it is first essential to give some idea of the number of strikes which have been recorded since 1921, the year in which official figures were first published. The following tables show, in summary fashion, the approximate number of strikes, the number of work-people involved, working days lost, and also the distribution of demands and results :—

1921.

TABLE I.

Industrial Disputes during 1921.

Province.	Number of disputes.	No of workpeople involved	Days lost.
Assam	1	2,000	2,000
Bengal	150	254,982	2,990,253
Bombay	156	142,825	1,439,946
Burma	27	13,536	182,707
Bihar and Orissa ...	10	22,188	208,072
Central Provinces ...	5	4,782	42,304
Madras	21	32,187	783,165
Punjab . ..	6	3,500	144,560
United Provinces ...	18	35,000	835,200
Total for India ...	394*	511,000	6,628,207

* Of these 394 strikes in the year 1921, all but 20 began, and all but 6 ended, during the year.

TABLE II.

Distribution of Demands—1921.

Demands.	Number.
Pay	174
Bonus	75
Personnel	63
Leave and Hours	10
Others	72
Total ...	394

TABLE III.

Distribution of Results—1921.

Results.	Number.
Successful	97
Partially successful	91
Unsuccessful	171
Indefinite	13
Not known	16
Not settled	6
Total ...	394

1922.

TABLE I.

Industrial Disputes during 1922.

Province.	Number of disputes.	No. of workpeople involved.	Days lost.
Assam	1	500	9,000
Bengal	93	198,702	1,803,750
Bihar and Orissa ..	12	34,142	744,941
Bombay	145	159,963	763,111
Burma	9	11,434	121,288
Central Provinces ...	4	9,208	102,986
Madras	11	3,361	40,936
Punjab	1	347	9,826
United Provinces ...	12	17,777	376,939
Total for India ...	284*	435,434	3,972,727

TABLE II.

Distribution of Demands—1922.

Demands.	Number.
Pay	129
Bonus	32
Personnel	52*
Leave and Hours	19
Others	46
Not known	6
Total ...	284

* One strike common to five provinces.

TABLE III.

Distribution of Results—1922.

Results	Number.
Successful	35
Partially successful	26
Unsuccessful	190*
Indefinite	19
Not known	10
Not settled	4
Total ...	284

1923.

TABLE I.

Industrial Disputes during 1923

Province	Number of disputes.	No. of workpeople involved.	Days lost.
Bengal	67	137,529	1,247,569
Bihar and Orissa ...	2	6,070	84,420
Bombay .	107	99,956	2,921,868
Burma .. .	8	22,820	422,497
Central Provinces ..	4	2,6[illegible]6	41,736
Madras	14	7,930	23,306
Punjab	2	415	1,375
United Provinces ...	7	10,835	78,262
Total for India ..	211	288,171	4,821,028

* One strike common to five provinces.

TABLE II.

Distribution of Demands, 1923.

Demands	Number.
Pay	98
Bonus	13
Personnel	46
Leave and Hours	9
Others	45
Total .	211

TABLE III.

Distribution of Results, 1923.

Results	Number.
Successful	32
Partially successful	17
Unsuccessful	151
Indefinite	11
Total ...	211

1924

TABLE I.

Industrial Disputes in Bengal during the half-year ending the 30th June, 1924.

No. of disputes.	No. of workpeople involved	Days lost
36	38,100	685,600

TABLE II.

Distribution of Demands.

Demands.	Number.
Pay	14
Bonus	*Nil*
Personnel	10
Leave and Hours	2
Others	10
Total	36

TABLE III.

Distribution of Results.

Results.	Number.
Successful	6
Partially successful	4
Unsuccessful	21
Indefinite	5
Total ...	36

The above figures are approximate, as the collection of statistics of industrial disputes is in a rudimentary state in India. In particular, it is quite impossible to give accurate figures of the number of days lost. In an Indian strike there is often no clear-cut beginning or end to the strike. In many cases the workers dribble back to work casually and indefinitely, and factory managers themselves find it difficult to say in such cases when normal working is resumed. The figures in the above tables thus only represent rough calculations, but they serve to give an idea of the very strong hold that the strike now has on India.

When the strike fever was at its height, in 1920-21, the governments of the two chief industrial provinces in India, Bengal and Bombay, deemed it expedient to appoint Committees to examine the situation. Both the Committees published reports.[1] The Bengal Committee was appointed as the result of a resolution, moved by Mr. K. C. Roy Chowdhury in the Bengal Legislative Council, to the following effect :—

> "This Council recommends to the Governor in Council that a Committee be formed to inquire into the causes of recent strikes of workmen in Bengal, and to advise what remedial measures should be adopted."

This resolution was passed unanimously, and a Committee with Mr. (now Sir) John Kerr, then Member of the Governor's Executive Council, now Governor of Assam, as Chairman, was the result. The Bombay Committee was appointed by a Home Department Resolution, dated the 18th November, 1921. Both Committees were at some pains to examine the causes of the recent strikes, and to suggest remedies. The Bombay Committee went further afield, and gave its views on almost every department of labour activity —welfare work of all kinds, co-operative societies, housing, grain shops, liquor shops, even profit-sharing and co-partnership. On the subject under immediate discussion, industrial

[1] Report of the Committee on Industrial Unrest, Bengal, Calcutta 1921. Report of the Industrial Disputes Committee, Bombay, 1922.

peace, both Committees were more or less in agreement, although the local circumstances were by no means the same. In both provinces strikes had been very frequent and the strikes had certain features in common, as summarised in the Bombay report :—

(*a*) The frequency of the strike without notice.

(*b*) The absence of clearly defined grievances before striking.

(*c*) The multiplicity and sometimes the extravagance of the claims put forward after the strike has begun.

(*d*) The absence of any effective organisation to formulate the claims of the operatives and to secure respect for any settlement that may be made.

(*e*) The increasing solidarity of employers and employees, and the capacity of the operatives to remain on strike for considerable periods despite the lack of any visible organisation.

The Bengal Committee, having analysed 137 strikes which occurred within a period of nine months, noted the existence of many non-economic causes and "trivial complaints which in normal times would never have resulted in strikes," and further analysis of the strike records in Bengal shows that there is abundant evidence in Bengal of every item of the above-quoted summary of characteristics given in the Bombay report. Something further must be said on this subject in the light of subsequent experience in soberer times.

In industrial disputes in India, with perhaps the exception of Ahmedabad, where unionism is more advanced than elsewhere, the outstanding feature is the lack of organisation on the part of the strikers. To this both the Bombay and Bengal Committees made pointed reference ; and the position is very much the same now as it was in 1920 and 1921, when labour felt the first flush of its young strength. Hundreds of strikes have come under the writer's cognizance, but it is almost universally true to say that in not one of these strikes was there a body which could command the obedience of its

supposed members. Unions there have been in dozens, but the unions in many—in most—cases have been mere strike committees, led usually by a politician from outside the area of the dispute, or by a *bona fide* labour organiser or sympathiser. These strike committees spring out of momentary excitement, and they command very temporary allegiance. A full night's sleep is often disastrous to them; as often as not the strike breaks up or continues in spite of them. They cannot control either the strike or its settlement. The first essential of organised industrial peace in India is organised labour. In the reports of the Bengal and Bombay Committees reference is made to labour unions. Both Committees recognise the beginning of a trade union movement, although they also recognise that in most cases the 'unions' are only strike committees. At the end of 1921,[1] as reported in the Bombay Committee, nominally there were 48 unions with 79,614 members in Bombay; 12 unions with 20,863 members in Ahmedabad, and 17 unions with 8,254 members in the rest of the Presidency. In Bengal, during the last four years, there have been some 73[2] labour organisations, but the membership is quite problematical. Figures might be given but they would be fantastic. When a leader, labour or political, founds a union, he gives as its membership all the workers in the concern, although perhaps three-quarters of them do not know of the existence of the union. Unions, as already pointed out, are founded from various motives, and all that is necessary in some cases is a paper existence. Few

[1] The latest available returns (from the *Bombay Labour Gazette* of June, 1924) show that there are 10 principal trade unions in Bombay City, with a membership of 27,888; 7 in Ahmedabad with 15,850 members, and 6 for the rest of the Presidency with 8,391 members. The total membership in the Presidency is thus 52,129. An attempt has also been made by the Bombay Labour Office to calculate the income and expenditure of these unions per month. The results are published periodically in the *Labour Gazette*.

[2] Excluding branch organisations. A large proportion of the unions are *bhadralog*, (*i.e.*, upper classes, as distinct from working class) organisations. On very few of the managing committees are there representatives of manual workers. Mention also may be made of the attempts of unions to publish official organs. Several of the all-India unions have published such organs for some years, though their financial position is always precarious. One or two organisations in Bengal have published papers from time to time.

unions have a real hold on the workers in India. The only real hold is exercised by a dominating personality such as Mr. Gandhi, or by a strike committee; and that is temporary. A union implies permanency of organisation, continuity of purpose, and recognition of common aims, and even the best unions of this type (*e.g.* the railway unions) are only in the early stages of making. There is no Trade Union Registration Act in India, and no method of knowing what the actual position of the union is; but it is quite well known that very few bodies have regular membership lists with regular weekly, monthly or even annual subscriptions. Let one of the Labour organs of India bear out the above remarks in words[1] which fall more appropriately from trade unionists than from an official:—

"There are three or four Labour Unions in India which are real Labour Unions, that is to say they have a definite roll of members who pay regular subscriptions, an office, and properly elected officers. But in addition to these legitimate organisations there spring up and die away again whole hosts of mushroom and sometimes very offensive growths which owe their origin to the ambition or greed of individuals having no concern with Labour but ready to take advantage of or to create labour unrest for their own purposes. It happens, thanks to the activities of the Extremists with their promises of *Swaraj* with its consequence of a good time coming when there will be free food for everybody and no work except that of spinning a *charka* for an idle hour or two every day, that Labour in common with other elements in India has been greatly excited during the last two or three years, thus providing the self-styled leaders with their opportunities. What takes place is this. A strike breaks out or threatens on a railway or in a mill, or amongst taxi-drivers. Immediately somebody, not himself a working man but belonging to an educated class, dashes off to the scene and suggests to the ignorant and illiterate strikers or would-be strikers that a Union be formed at once with himself as President. He

[1] From an article "The So-called Labour Unions" in *The Railway Workman*, 15th May, 1922.

nominates a couple of friends as Vice-President and Secretary, and there is your Union complete. The President next addresses letters, very often impertinent in tone, to the employers or to the Government sending copies to the Extremist press. Meetings are then held attended not only by genuine working men but by all sorts and conditions from the bazar. At these meetings Resolutions, drafted by the President, whom none of the workers had seen or heard of a week before, are passed in which the most extraordinary demands are made of the employers. One remembers a case of a resolution which demanded that no steps should be taken to prevent cheating and fraud in the firm. Another famous resolution was to the effect that everybody from the manager downward should get the same rate of pay. Money is also collected at the meetings. We do not think much is obtained in this way, but whatever it is, is generally wasted in providing food or taxi and carriage hire. Sometimes funds are also obtained from a local Congress or Khilafat organisation, on the ground that the strike or projected strike has a bearing on the business of *Swaraj*. Funds so obtained are spent we believe on supporting some of the men on strike for a little while. Then more letters are sent to employers by the self-elected officers pointing out that the strike is causing a great deal of suffering, that the men are very determined, and that the only way out of the difficulty is for the employers to meet the officials of the so-called Union, without whose help a settlement will be impossible. What the President and the Vice-President and the Secretary are waiting for is for the employers to recognise them as the proper people to be treated with. Once they are so recognised they are pleased and gratified beyond words, particularly if the Department concerned is an official or semi-official one like a big railway. It is a great thing to be acclaimed as a Leader by a crowd of illiterate persons, but still greater to be admitted to be one by the Government. In cases where employers refuse to permit interference by outsiders and the strike gradually dies away owing to the men returning to work, the Union officials quietly disappear and the Union comes to an end. Where employers have recog-

nised outside interference and some kind of compromise has been come to, the President and other officers are by no means inclined to resign their dignified positions. The Union may have been created solely for the purposes of a strike, and the men may refuse to attend further meetings or contribute any money, but while the President has the power to wield the pen he is still President of the Union. That is why we still see letters in the papers from, say, the President of the Union of Leather Workers, or whatever else it may be styled, while the Leather Workers have long since forgotten that they ever had a Union or what they had struck about. Sometimes, and this is a piece of bluff which is really amazing, the Presidents of these mushroom organisations meet together and have what they style a Labour Congress. The Extremist press sees to it that the proceedings are fully reported. The good folk at Home who think of Labour delegates as representing hundreds of thousands of votes are duly impressed, and the President of the Leather Works, if he is lucky, may presently get a whole leader to himself in the *Daily Herald* with some guarded comment in the *Manchester Guardian*, all written under the impression that he is a self-made man who has the confidence of the co-workers in leather, and who has worked himself to the top by sheer grit. If they only knew that all the President has behind him is the fact that on one occasion during a small strike in one factory he made himself prominent by posing at the head of a group of very ignorant persons, they would not be so willing to acclaim him as a great leader of Labour. But as they don't know that 99 per cent. of the Leather Workers have never heard of the gentleman, and are unaware there is a Union, the President gets his advertisement, and that is what he is after."

Little advance can be made in setting up machinery for industrial peace till labour is organised. As things are at present, there is, as a rule, no body with whom employers can negotiate. When workers are dissatisfied, it is quite possible that they will secretly agree overnight not to start work in the morning. No representative may have mentioned the grievance to the manager; no official demand made and

rejected; no time for consideration; no ultimatum. In quite a number of strikes of which record has been kept in Bengal, the workers have gone out first and formulated their grievances afterwards. Some of the most extensive and stubborn strikes in Bengal have been of this type, which was very common in the days when politicians could persuade workers by an over-night oration to go out. When the men did leave work, they had to find grievances, and this they usually did, quite fully. Yet, in spite of the lack of system, a not unknown type of demand, when managers proved more than usually obdurate, was that the dispute should be referred to conciliation or arbitration. As it was at the beginning, so it was at the end of disputes; nobody could guarantee that terms should be kept and agreements respected. The leader of a strike to-day may be far away next month; but, in spite of the absence of a permanent body, with office and records, there are not wanting those who think that the machinery of the West should be copied.

Further analysis of the causes of strikes will show the difficulties in adopting western machinery for eastern problems. The tables already quoted show the causes of strikes, but, as in most Indian statistical tables, a warning is necessary in this case. Many strikes have no one assignable cause. It may be wages or hours, or leave, or a combination of them; or it may be some grievance quite unconnected with them. Sometimes the workers go on a trivial cause—say, one of their number has been chastised by an overseer for bad work—and, to cover the lack of a real cause, the workers put forward wages or hours demands. Real or main causes are sometimes difficult to trace, but the records of strikes show quite clearly that economic reasons are by no means the only ones. I set out below a typical list of non-economic causes of strikes in Bengal, from July, 1920 to March, 1924 :—

1. Proposed arrest of weavers concerned in assault upon European Assistant.
2. The arrest of a craneman for removing a piece of wood.

3. Demand for recess for namaz (prayer) on Fridays.
4. Demand for a burial ground by Muhammadan employees.
5. Arrest in connection with a fatal riot in which a Gurkha *durwan* of the mill was killed.
6. Stoppage of a village pathway running through acquired land.
7. An altercation between the manager and the cook.
8. Transfer of a popular European assistant and appointment in his place of a Bengalee.
9. Demand for release of non-co-operation volunteers, occasioned by a European depriving a cooly of a *khaddar* cap.
10. Refusal of the manager to take back a worker who was arrested as a Congress volunteer.
11. Demand for withdrawal of proceedings against an Indian worker accused of assault on a European assistant manager.
12. The excellence of the local harvest.
13. The presence of elephants in the locality, supposed to be the vanguard of a Gandhi army.
14. Rumour that workmen of the mill concerned were assaulted in a recent shooting affray at a place about 30 miles distant.
15. Demand for permission to attend the trial of workers prosecuted in connection with the volunteer (non-co-operation) movement.
16. Demand for immediate release of men convicted in connection with a mill rioting case.
17. Demand for release of men arrested for disorderly conduct.
18. Prosecution and conviction for driving an unlicensed *gharri* and using a horse with a diseased eye.
19. Order prohibiting demonstrations in connection with the Turkish victory celebrations.

20. Instigation by the zemindar's (landlord's) agent who had a quarrel with the manager.
21. Men's refusal to carry foreign goods in their carts.
22. Frequent railway accidents by shunting engines caused a demand for specific hours for the work of loading and unloading.
23. Complaint regarding police prosecutions.
24. Demand for disposal of cases affecting the staff by the manager and not by the departmental head.
25. Demand for the release of men arrested on a charge of theft.
26. Police prosecution and conviction for using disabled animals for transport.
27. Demand for withdrawal of a theft case against employees.
28. Chastisement for bad work. Many strikes have been occasioned by this, and also by threats of dismissal for bad work. European, Parsi, Punjabi and Bengali supervisors, foremen or overseers have been concerned.
29. Arrest of three sweepers for obstructing a public thoroughfare with carts.
30. A demand by the authorities requiring particulars (home address, etc.) of workmen.

These instances do not include the many *hartals* of 1920-22, when work was stopped for many non-economic causes.

Little comment is necessary. Some of these causes are refreshingly simple, especially that in which the simple Asansol miners were persuaded that the elephants of a travelling show were the vanguard of Mr. Gandhi's army. Yet this cause affected nearly a dozen collieries. The machinery required to deal with such cases is not complicated: paternal tolerance and kindness, with personal firmness. Third party interference is not essential.

Enough has been said to show the difficulty of importing western machinery for conciliation and arbitration into India.

This was recognised by both the Bengal and Bombay Committees in making their recommendations. The Bombay Committee made particular reference to the future of trade unions. Their views may be quoted: speaking of the registration of unions, they say:—

"Happily there is no chance in India that the state will commit the tragedy of errors which marks the relations of the trade unions of Great Britain with the law. Indeed, the danger in India is lest we go to the other extreme and attempt by law to give trade unions a shape for which it is not ready and which may distort natural growth. We are strongly in favour of the compulsory registration of trade unions under a broad and generous act. Such registration should ensure at least strict adherence to the elements essential to any substantial association of a definite code of rules, regular office-bearers properly elected, and an accurate register of subscribing members. But we are strongly opposed to conferring on trade unions any special privileges outside the ordinary law of the land, or, on the other hand, any special responsibilities. We regard as mistaken the idea that trade unionism can be moulded in any form or diverted in any artificial direction by legislation, especially that its funds should be arbitrarily devoted by statute to certain objects. The great object in view is to give trades unions free scope for their natural growth within the ordinary law unrestricted by academic ideas of what the nature of that growth should be. It by no means follows that the lines of development in India will closely follow those of the West, where such very different conditions prevail; it will, we hope, develop a form specially suited to the genius of the land. Such legislation will probably require frequent amendment, but this would be better than a draconian code at the commencement, which would be probably found totally unsuited to the corpus gradually evolved."

Apart from the conferring of special privileges on trade unions, a question of policy which cannot be discussed here, what is necessary is a registration law which will encourage unions to permit such inspection and send such returns as

will enable government and the public to discriminate between *bona-fide* and spurious unions. Such a law is necessary to protect the workers against interested outsiders whose object in forming or fostering a union may be quite different from that of the workers. In its early stages unionism in India will deal only with the more obvious difficulties of labour-wages, hours of work, and similar problems. The day is far distant when "ca' canny" will enter Indian union politics, save perhaps as reprisal against a real or fancied grievance. But the Indian worker has no knowledge of or ideas on the limitation of output, on work-enough-for-all, or of any 'ism or 'ology. His idea is to get as much money in as short a time and with as little exertion as possible. And he would quite fail to appreciate the argument for restricting output on the ground that there must be work enough for all. Likewise the higher politics and law of trade unionism have little or no meaning for him.

On the present intentions of the Government of India in regard to trade union legislation little can be said here. Avowals of intention to legislate have been made in places of authority; and of these an earnest is the Government of India letter[1] on trade union legislation, published and circulated in 1921—the only document to which it is possible at present to refer here. The letter also summarises some of the facts and views set out above. The origin of the letter was a resolution moved on the 1st March, 1921, by Mr. N. M. Joshi in the Legislative Assembly to the following effect:—

> "This Assembly recommends to the Governor-General in Council that he should take steps to introduce at an early date, in the Indian Legislature, such legislation as may be necessary for the registration of trade unions and for the protection of trade unionists and trade union officials from civil and criminal liability for *bona-fide* trade union activities."

[1] The letter is dated 12th September, 1921.

After a debate, the Resolution was amended to read—

"This Assembly recommends to the Governor-General in Council that he should take steps to introduce, as soon as practicable, in the Indian Legislature, such legislation as may be necessary for the registration of trade unions and for the protection of trade unions,"

and in this form it was accepted by Sir Thomas Holland on behalf of the Government of India.

The following extracts indicate the lines on which the Government of India propose to legislate :—

The definition of a Trade Union.

The definition of a Trade Union in the English statute of 1871 was amended by the statute of 1876 and now stands as below :—

"The term 'trade union' means any combination, whether temporary or permanent, for regulating the relations between workmen and masters, or between workmen and workmen, or between masters and masters, or for imposing restrictive conditions on the conduct of any trade or business whether such combination would or would not, if the principal Act (*i.e.* the Act of 1871) had not been passed, have been deemed to have been an unlawful combination by reason of some one or more of its purposes being in restraint of trade.

"Provided that this Act shall not affect :—

(1) any agreement between partners as to their own business;

(2) any agreement between an employer and those employed by him as to such employment;

(3) any agreement in consideration of the sale of the good-will of a business or of instruction in any profession, trade or handicraft."

It is probable that the original definition of a trade union given in the Act of 1871 was widened in 1876 in order that benevolent purposes might be included amongst the objects of

a trade union. The English statute of 1913 gives a further definition of a trade union in the following terms :—

"2 (1) The expression 'trade union' for the purpose of the Trade Union Acts, 1871 to 1906, and this Act, means any combination, whether temporary or permanent, the principal objects of which are under its constitution statutory objects :—Provided that any combination which is for the time being registered as a trade union shall be deemed to be a trade union as defined by this Act so long as it continues to be so registered."

The Government of India are of the opinion that in the Indian legislation there should be a definition corresponding to the definition given in the English statute of 1876, and that it should be also clearly stated that benevolent and similar purposes are included within the scope of trade union activities. The provision that will be made in the contemplated legislation with regard to the registration of unions will help to make the definition more precise.

It has been suggested that in the contemplated legislation it will be desirable, besides giving a general definition of the term "trade union," to provide a specific list of the aims and objects of trade unions; such as—

(*a*) the regulation of wages, allowances, or remuneration of workers employed or usually employed or to be employed in any industry;

(*b*) the regulation of hours of employment, sex, age, qualification or status of workers, and the mode, terms and conditions of employment;

(*c*) matters relating to any established custom or usage of any trade or industry affecting the union concerned;

(*d*) the provision of benefits to members and the right to utilise the funds of the unions for political purposes on conditions equivalent to those prescribed in the English Act of 1913.

The objection to a specific enumeration of the legitimate aims and objects of trade unions in the definition is that the definition will become inelastic and will not leave sufficient

freedom to Courts to interpret the law in accordance with the development of the movement.

It has been mentioned above that political objects should be recognised amongst the activities of trade unions. In England this aspect of the question is dealt with in the statute of 1913. Section 3 of this Act provides :—

(1) that trade union funds cannot be used for political purposes unless the union, by a ballot, as prescribed in the Act, approves by a majority of the members voting ;

(2) that where such political purposes are approved, payments towards them must be made out of a separate fund ;

(3) that any member may object to pay for such purposes, and claim exemption on a prescribed form, and that such member shall not be excluded from union benefits, or in any other way adversely affected because of his action and that contribution to a political fund shall not be made a condition for admission to the union ;

(4) that aggrieved members have provision for redress ;

This section authorises the expenditure of money on the following political objects :—

(*a*) the payment of any expenses incurred either directly or indirectly by a candidate or prospective candidate for election to Parliament or to any public office before, during or after, the election in connection with his candidature or election ; or

(*b*) the holding of any meeting or the distribution of any literature or documents in support of any such candidate or prospective candidate ; or

(*c*) the maintenance of any person who is a member of Parliament or who holds a public office ; or

(*d*) the registration of electors or the selection of a

candidate for Parliament or any public office; or

(*e*) the holding of political meetings and the distribution of political literature or political documents of any kind, in cases where the main purpose of the meetings or of the distribution of the literature or documents is the furtherance of statutory objects within the meaning of this Act.

This section has been borrowed in Australia, *e.g.* in section 52-A of the New South Wales Act of 1912, as amended in 1918. The New South Wales Act empowers unions to support a political newspaper.

It seems to the Government of India that the principle of this provision may be accepted in India, so as to cover elections to the Central and Provincial Legislatures, and to municipal and other local bodies which have the power to raise money. They are also ready to adopt the other provisions of the Act, namely, (*a*) that the political fund be kept separate from other funds; (*b*) that members of unions who object to contribute towards political objects be exempted on signing an exemption form which may be given as a schedule to the Act, and (*c*) that the members be placed under no disability for non-contribution, and that contribution should not be a condition of admission.

Protection of Trade Unions.

The main provision in England on this point is embodied in section 2 of the statute of 1871, which says that "the purposes of any trade union shall not, by reason merely that they are in restraint of trade be deemed to be unlawful so as to render any member of such trade union liable to criminal prosecution for conspiracy or otherwise." The Indian law in regard to restraint of trade is contained in section 27 of the Indian Contract Act, and is not exactly the same as the English law. Section 27 of the Indian Contract Act uses very wide language and lays down that "every agreement by which any one is restrained from exercising a lawful profes-

sion, trade or business of any kind, is to that extent void." The Government of India are inclined to the opinion that in the proposed Bill it should be declared that section 27 of the Indian Contract Act will not apply to registered trade unions. They are at the same time disposed to adopt in their entirety the principles embodied in sections 2, 3 and 4 of the statute of 1871. It is true that these sections of the English statute have given rise to some difficulties in interpretation, and it therefore seems to the Government of India that in the proposed Indian legislation it may be advisable to specify the nature of the agreements that have been accepted in English case law as falling within the principles embodied in the statute.

The law in England definitely excludes any interference by the Courts with the internal management of unions; on the other hand, the Australian legislation brings the domestic affairs of trade unions under the law. The Government of India are of the opinion that in this respect we should follow the English precedent.

In this connexion a brief reference may be made to the question of the recognition of strikes. If the principle of section 2 of the English Act of 1871 is adopted, strikes become legal. The Government of India do not wish at present to include in the Act relating to trade unions any other provisions regulating strikes. The question is being considered separately in different provinces in connection with the procedure for conciliation and arbitration. The Government of India have collected a considerable volume of information regarding such procedure in other countries, and hope to publish the information at an early date.[1] They would await the result of the measures that have been adopted or are in contemplation in different provinces on this subject before deciding whether any specific legislation is needed with regard to strikes and the procedure of conciliation and arbitration.

[1] Conciliation and Arbitration, Bulletin No. 23, of Bulletins of Indian Industry and Labour.

Trade Union Funds.

The English law on the subject may be summarised thus :—

(1) Trade Union funds are subject generally to the ordinary laws regulating trust funds.

(2) The Trade Union Acts make special provision for trade union funds in certain cases :—

(*a*) A registered trade union and each branch of a trade union may acquire and hold land to a certain extent and, if necessary, may sell, exchange, mortgage, etc., (section 7 of 1876 Act).

(*b*) The real and personal property of a registered trade union is vested in the trustees of the union and the property of a branch may be vested in the branch trustees, or, if the union rules so provide, in the union trustees; in the case of a change of trustees, property consisting of stocks and securities must be transferred to the new trustees but no new assignment or conveyance is necessary for other property; (section 8 of the Act of 1871, as amended by the Act of 1876).

(*c*) Certain provisions are inserted for cases of the bankruptcy, lunacy, death or removal from office of trustees (section 4, Trade Union Act, 1876).

(3) It has been ruled that the trustees of a trade union need not be members of the union.

(4) Actions and other proceedings regarding trade union property may be brought or defended either by the trustees, or by any other officer of the union as authorised by the rules (section 9, 1876 Act). Their liability is limited, in case of the contemplation or furtherance of a trade dispute, by section 4 (2) the Trade Disputes Act.

(5) The liability of trustees is limited (section 10, 1871 Act).

(6) Union officials must render duly audited accounts, etc., to the union (section 11, 1871 Act).

(7) Unions are protected against fraud by their own members officials or others (section 12, 1876 Act).

(8) It seems that, in the case of a dispute between a trade union and its branch in regard to branch property an action may be brought under section 9 against the branch trustees for recovery of the property, and by the rules of the union it may be possible for a trade union to prevent a misapplication of branch funds by a branch.

(9) Under the present law it also seems possible for a member of a trade union to restrain misapplication of funds where the trustees will not do so.

(10) The rules of every trade union must provide for the dissolution of the union and impliedly for the disposal of union funds (section 14 of the 1876 Act).

The Government of India think that, with due reference to the Indian law relating to trusts and trustees, the principles enunciated above may be accepted and incorporated in the proposed law relating to trade unions.

In England, under the statutory rules, trade unions must make provision for the appointment of a trustee or trustees. If there were no trustees, the property of the union would have to be vested in the name of an official on behalf of the union or of the union itself. The Government of India would like to have the opinion of local governments as to whether it is necessary that a similar provision should be made in the Indian law.

Registration.

It is hardly necessary to observe that if the principal conditions under which unions may be registered are sufficiently

explicit the need for elaboration in the definition of the term 'Trade Union' will be obviated. The registration *ipso facto* will bring a union within the legal definition. The Government of India are of the opinion that registration in all cases should be optional, and that unregistered trade unions should not be deemed to be illegal. Registration, however, will give a legal entity to a union with definite rights and privileges which unregistered unions will not possess. For example, an unregistered union might find it difficult to obtain recognition by employers.

The Government of India think that the following provisions regarding registration may be included in the contemplated Bill :—

(1) the fixation of a minimum number of members who may apply for registration ;

(2) provision for the appointment of Registrars in the different provinces by the local Government ;

(3) power to make rules regarding such subjects as—

(*a*) the furnishing to the Registrar at the time of application for registration of copies of the rules of the union with a list of the designations and the names of the officers of the union ;

(*b*) where a trade union has been in operation for more than a year before the date of the application, for the furnishing of statements of receipts, funds, etc., of the union in a prescribed form ;

(*c*) the name of the union not to be identical with that of any other union ;

(*d*) issue of certificates of registry.

I am, however, to invite the opinion of the local government as to whether these provisions should be made by rule under the statute or should be included in the statute itself with specific provisions in a schedule regarding the details that should be furnished in connection with an application for registration such as—

(*i*) the name of the trade union and place of meeting for the business of the trade union;

(*ii*) the objects and purposes of the union, the conditions under which the members of the union may benefit from the funds of the union and the fines and forfeitures on members of the union;

(*iii*) the manner of amending or rescending the rules;

(*iv*) a provision for the appointment and removal of a general committee of management, of a trustee, or trustees, treasurer and other officers;

(*v*) a provision for the investment of the funds and for an annual audit of accounts;

(*vi*) a provision for the inspection of the books and names of members by every person having an interest in the funds of the union.

In this connexion, I am to observe that in the opinion of the Government of India it is desirable that any rules made under the Act should be made by the Central Government. It is probable that many unions will carry on business in more than one province, and in any case it is desirable that the law and practice on this matter should be uniform throughout India at least in the earlier stages of the movement.

Some other provisions relating to registration which may be usefully incorporated in the Act are stated below:—

(*a*) the rules of every trade union should contain provisions in respect of the several matters mentioned in the previous paragraphs;

(*b*) a copy of the rules should be available to every member of a trade union on payment of a specified sum;

(*c*) every union should have a registered office;

(*d*) unions carrying on and intending to carry on business in more than one province should be

registered in the province in which the registered office is situated;

(*e*) a general statement of the receipts, funds and expenditure of every registered union should be transmitted to the Registrar by a specified date. With this general statement should be sent to the Registrar a copy of any alterations of rules and new rules and particulars regarding changes of officers. It may also be advisable to ask for a periodical return of the names of members;

(*f*) there should be penal provisions for default in any of the matters specified above;

(*g*) rules regarding the change of name of a trade union;

(*h*) rules regarding the amalgamation of trade unions;

(*i*) rules regarding the withdrawal of the certificate of registration on application to the Registrar.

Under section 9 of the English Statute of 1876, minors are permitted to become members of a trade union. The Government of India are of the opinion that all persons of or above the age of 15 should be eligible to become members of trade unions.

Liabilities of Trade Unions.

The English law on the subject is contained in section 3 of the Conspiracy and Protection and Property Act of 1875 as modified by section 1 of the Trade Disputes Act of 1906. As thus amended the law reads:

"An agreement or combination by two or more persons to do or procure to be done any act in contemplation or furtherance of a trade dispute shall not be indictable as a conspiracy if such act committed by one person would not be punishable as a crime.

"An act done in pursuance of an agreement or combination by two or more persons shall, if done in contemplation or furtherance of a trade dispute, not be actionable unless the

act, if done without any such agreement or combination, would be actionable.

"Nothing in this section shall affect the law relating to riot, unlawful assembly, breach of the peace, or sedition, or any offence against the State or Sovereign.

"A 'crime' for the purposes of this section means an offence punishable on indictment, or an offence which is punishable on summary conviction, and for the commission of which the offender is liable under the statute making the offence punishable to be imprisoned either absolutely or at the discretion of the Court as an alternative for some other punishment.

"Where a person is convicted of any such agreement or combination as aforesaid to do or procure to be done an act which is punishable only on summary conviction, and is sentenced to imprisonment, the imprisonment shall not exceed three months, or such longer time, if any, as many have been prescribed by the statute for the punishment of the said act when committed by one person."

This provision of the English law may be studied along with sections 2 and 3 of the Act of 1871 which free unions from criminal and civil liability in regard to restraint of trade.

Section 3 of the Trades Disputes Act runs thus :—

"An act done by a person in contemplation or furtherance of a trade dispute shall not be actionable on the ground only that it induces some other person to break a contract of employment or that it is an interference with the trade, business, or employment of some other person, or with the right of some other person, to dispose of his capital or his labour as he wills."

The Government of India are of the opinion that the expression "contemplation or furtherance" should be defined more precisely, and subject to this and possibly to the further limitation suggested in the last sentence of the paragraph on picketing below, they think that there would be no objection to incorporating in the Indian law the

principle embodied in the English law as set forth in the two preceding paragraphs.

Immunity from liability for the wrongful acts of their servants was conferred on trade unions in England by section 4 of the Trades Disputes Act of 1906, which runs thus :—

"4 (1) An action against a trade union, whether of workmen or masters, or against any members or officials thereof on behalf of themselves and all other members of the trade union in respect of any tortious act alleged to have been committed by or on behalf of the trade union, shall not be entertained by any court.

(2) "Nothing in this section shall affect the liability of the trustees of a trade union to be sued in the events provided for by the Trade Union Act, 1871, section 9, except in respect of any tortious act committed by or on behalf of the union in contemplation or in furtherance of a trade dispute."

The Government of India are of the opinion that under present conditions the principle of this provision cannot suitably be incorporated in the proposed Indian law. Such trade unions as exist in India differ in important respects from the trade unions in England. While trade unions in England had behind them in 1906 a continuous existence of over a century, during the greater part of which they had been subject to some form of legislation, the Indian organisations are of extremely recent date and in view of the acts of violence and intimidation which have unfortunately characterised a large proportion of the disputes in which they have been concerned, it would be unwise in the early stages of their existence to exempt them unreservedly from civil liability for tortious acts. Moreover, as a reference to the debate in the Legislative Assembly will show, the value of the Trades Disputes Act in this respect has been seriously questioned by competent critics in England.

The main argument that has been advanced for the immunity conferred by section 4 of the Trades Disputes Act is that a trade union cannot justly be held responsible for the actions of its subordinates. It is alleged that in times of excitement, irresponsible officials are liable to go too far, and

it would be unfair to saddle the union with financial responsibility for their acts. Against this it may be urged that no other body with a legal entity is free from the liability of the acts of its agents, and there is really no reason why trade unions should be free. Another argument that has been advanced in favour of legislation similar to that of section 4 of the Trades Disputes Act is that trade unions are partly benevolent in purpose, and their funds should not therefore be made liable for unlawful acts committed by subordinates. This argument may be met by a provision that a separate trust may be created for the benevolent funds of a union, or by a definite provision that the benevolent funds of a union should be exempt from liability.

The Government of India as at present advised are in favour of embodying in the Indian law the proposals that had been originally submitted to Parliament by His Majesty's Government in 1906. The original proposals in the Trades Disputes Bill were to define the law of agency in such a way that no act could be made the ground of a claim on trade union funds, unless it was definitely proved that the governing body, as constituted by law, had sanctioned the act. It was proposed that each union should appoint an executive committee, in which was to be vested the duty of conducting all operations likely to bring the union into conflict with employers and the public. Unions or their property were not to be bound by any act unless it were the act of the executive committee, or of some person whom the executive committee authorised to act in a certain way. The executive committee could by instructions prescribe the limits within which their agents might exercise their discretion and no action would lie against the funds of the union in the event of an agent exceeding those limits. It was also proposed that the executive authority could repudiate or disapprove of any questionable act which might be brought to its notice. Where such repudiation took place with effective promptitude, trade union funds were to be exempt from liability. A similar provision was prescribed in the New South Wales Act, 1903, which declared that "no trade union or indus-

trial union or association of employers shall be liable to any suit or action, nor shall the funds of such union or association be in any way chargeable in respect of any act or word, done, spoken, or written, through or in connection with an industrial dispute by any agent, if it be proved that such agent acted :—

(1) contrary to instructions *bona fide* given, or,

(2) without the knowledge of the governing body of such union or association and that the union or association has *bona fide* and by all reasonable means repudiated the acts or words complained of at the earliest opportunity and with reasonable publicity."

The Government of India, as at present advised, are disposed to formulate safeguards on these lines.

Picketing.

The English law on this subject is embodied in section 7 of the Conspiracy and Protection of Property Act of 1875, read with section 2 of the Trades Disputes Act of 1906. In this connection in India the law embodied in Chapter V of the Indian Penal Code has to be considered. The Government of India feel that it would be most undesirable in the present stage of the labour movement in India to countenance picketing in any form. It will not be disputed that, although in the statute of 1906 such acts as watching and besetting, the use of violence, intimidation, injury to property, following, the hiding of property or depriving the owner of its use, following in a disorderly manner in a street or road, are still unlawful in England; it would be practically impossible in India either to obtain evidence for the conviction of any person for such offences, or to impose penalties for such acts on large crowds of people who might commit them in times of excitement and disorder. The Italian law on the subject may be stated thus :—

"Whoever, by means of violence or threats restrains or impedes in any way the liberty of industry or of commerce is punished by imprisonment for a

period not exceeding 20 months, and by a fine of 100 to 3,000 lire.

"Whoever, by violence or threats, occasions or causes to continue a cessation or suspension of labour in order to impose either on the workmen or the masters or employers a diminution or an increase of wages, or conditions differing from those previously agreed upon, is punished by imprisonment for a period not exceeding 20 months.

"Ringleaders in the offences referred to in the preceding articles are liable to terms of imprisonment varying from three months to three years, and to a fine of from 500 to 5,000 lire."

But recent events have shown that it is practically impossible to enforce these provisions. Whilst picketing undertaken by private persons without the express authority of the union will be subject to the law embodied in Chapter V. of the Indian Penal Code, the Government of India, in the interests of the organisations themselves, are inclined to the opinion that a definite responsibility should be laid on the unions or their executive committees for the prevention of the issue of any orders authorising picketing in any form by the members of the union. It has been suggested that the immunity of union funds that would be conferred by the provision suggested in the paragraph regarding Liabilities of Trade Unions mentioned above in connection with further qualifying the terms "contemplation or furtherance" in section 3 of the Trades Disputes Act, should be limited by provisions having the effect just mentioned, but the Government of India do not wish to commit themselves to this proposal and would be glad to have the considered views of the local government on this question."

At this stage the problem of trade union legislation in India rests for the present. In methods which have already been described, labour organisations come into being and live, languish or die. In Bengal, of 73 bodies which have been known to exist at some time since 1920, already eleven have registered themselves under existing Acts. Of the 73,

however, only eight (as far as can be ascertained) have published annual reports. Of no less than 27, the only information available is the first or formation meeting, and it may be taken for granted that in all, or practically all of these cases, the union has not functioned save for the creative act. In five cases there have been allegations of defalcation and misappropriation of funds. Six of the unions came into being just before nominations were due to the Geneva Conferences or to the local Legislative Council.[1] At least six were formed as the result of a strike, and have not functioned except in the strike. A considerable proportion owe their existence to persons whose main interests are political—non-co-operators and other politicians. In practically no case is there a regular list of members and regular subscription books.

The existing stage of labour organisation may be appreciated from the preceding paragraphs. There remains to be told the attempts which have been made to create machinery to deal with threatened and actual disputes. The first suggestion that there should be legislation came from the Government of India, in 1920, when they asked the provincial governments to advise on the possibility of legislation on the lines of the then new English Act, the Industrial Courts Act, 1919.[2] The Government of India were not very sanguine of the success of western legislation. "The desirability of legislating on the lines of the laws in force in the United Kingdom and in certain other parts of the British Empire has been examined," they said, "but the provisions of none of these enactments appear to be suitable for Indian conditions." The new English Act suggested a possible method of dealing with industrial unrest, but even it, in the absence of labour organisation, the Government of India did not consider likely to be successful. Their view was borne out by all provincial governments, and no legislation was undertaken then by the Government of India.[3]

[1] See p. 237 sqq. *ante*.

[2] For details regarding this Act, see *Conciliation and Arbitration* (Bulletin No. 23 of the Government of India Bulletins of Industries and Labour), pp. 59-62.

[3] It is understood that a measure on the lines of the Canadian Industrial Disputes Investigation Act is now contemplated.

The Bengal and Bombay Committees suggested different courses. The Bengal Committee was unanimously opposed to legislation, mainly on the ground that such legislation required organisation which in Bengal was absent. The most hopeful solution they thought to be Joint Works Committees. There was no historical past of trade-unionism with which such Committees had to fight. Moreover, the idea of the panchayat as an agency for settling social and communal affairs, universal throughout India, could be utilised in the Committees. Works Committees, the Committee thought to be a permanent salve to industrial difficulties, but for more urgent or acute cases, which lead to a lock-out or strike, they recommended the creation of a Conciliation Panel. This, in effect, was only carrying on the existing practice. In cases of deadlock in public utility services such as had required outside intervention, the Government of Bengal had appointed committees to examine and report on the case. These *ad hoc* committees had proved useful; the Bengal Committee recommended that the proceduce should be continued, but that it should be crystallised in a government pronouncement and an annually appointed panel. The result of the Committee's report was the following Resolution, issued by the Government of Bengal on the 29th August, 1921 :—

"The Committee on Industrial Unrest in Bengal, while agreeing that the best and most satisfactory method of settling disputes between employers and workmen is for the parties directly concerned to come to an agreement among themselves, recognised that there will always be a certain number of cases of acute disagreement in which the employers will resort to a lock-out or the employees to a strike rather than give way. The Committee recommended the adoption of measures of conciliation in such cases, distinguishing between disputes in public utility services which directly affect the comfort and convenience of the public and ordinary labour disputes in which the public are not, as a rule, directly concerned. The Committee remarked that the occurrence of disputes affecting the working of public utility services invariably gives rise to insistent demands on the part of the

public for the intervention of Government or some outside authority. They pointed out the grave objections which exist to the direct intervention of Government in such matters, and proceeded to observe :—

"What is required is some machinery which can be brought into operation without the necessity of involving the direct intervention of Government. We suggest the formation of a conciliation board or panel, consisting of about twenty members, to be appointed by Government, and to include a due proportion of all classes of the community, both European and Indian, and representatives of both capital and labour. Care should be taken to appoint only men of the highest character and reputation, who would be regarded by public opinion as fully competent to investigate impartially any question which was referred to them. In the case of any dispute arising in a public utility service, which was likely to cause or had actually caused a strike or lock-out, a conciliation court consisting of a small number of members, entirely unconnected with the dispute, would be chosen from the panel and asked to go into the merits of the dispute in consultation with the parties and to give their finding. Once such a conciliation board had been established, one or other of the parties to an industrial dispute could safely be trusted to apply for the creation of a conciliation court to deal with it, but, in the event of either or both parties proving unwilling to submit themselves to the arbitrament of the conciliation court, public opinion would in the great majority of cases compel them without undue delay to lay their case before the court. We would therefore leave it to Government to establish a conciliation court for the decision of a dispute affecting a public utility service, either on the application of one or both parties or of its own motion. There should ordinarily be no difficulty in getting the parties to agree to the members of the panel who should be selected to form the court, and it would ordinarily be preferable that the court should be constituted in accordance with the joint wishes of the parties; but if there was any difficulty on this point, Government could select the members to serve on the Court. Government

might also appoint an official chairman for the court in the event of the parties preferring a Government officer to act in this capacity rather than a member of the panel, who would all be non-officials, but such appointment should only be made after consultation with the other members of the court. Further than this, however, Government should not go. Its functions should be confined to setting up the court, and in performing this function it should as far as possible secure the consent of both parties. But having constituted the court, Government should stand aside and leave the court to investigate the dispute and promulgate its findings, which would, of course, not be finally decided upon until both parties had had a full opportunity of representing their views and objections. The court would have no legal power to enforce its findings, but here again we would leave it to public opinion to induce the parties to come to terms. Great weight would undoubtedly attach to the findings of a thoroughly competent and impartial court in matters of this kind, and neither party to the dispute would be able lightly to disregard its recommendations."

"The Governor in Council agrees with the committee that there is no reason why voluntary conciliation boards wisely constituted, should not achieve a large measure of success in labour disputes affecting public utility services where the parties have come to a deadlock, and a solution of the dispute can only be found in the intervention of outsiders. A conciliation board recently appointed by Government to deal with a strike on certain light railways succeeded not merely in settling the specific points at issue, but also in inducing the parties to take steps for the prevention of future strikes by setting up a joint works committee which will deal with differences between employers and employed directly they arise. His Excellency in Council has no doubt as to the possibilities of success in other cases of this kind, and he considers that the time has come to put the system of conciliation boards for public utility services on a permanent basis. After consultation with representative associations and others, he has decided to appoint the following

gentlemen to be members of the first conciliation panel.

* * * *

"In order that the panel may be kept up to date, it will be constituted annually, and the gentlemen now appointed will hold office till the 31st August, 1922.

"The panel is intended to deal with disputes affecting public utility services in Calcutta and its neighbourhood; the services of members of the panel will be invoked only on the occasion of such disputes, and nothing further will be expected of them. In the settlement of ordinary labour disputes not directly affecting the public, the element of public opinion is absent, and different considerations arise. It is not ordinarily the duty of Government to intervene in such disputes either directly or indirectly, but if both parties express a desire that their differences should be investigated by an impartial authority, the Governor in Council will be prepared to establish a special conciliation board to deal with the matter, or to take such other action as may be suitable in the circumstances of the ease."

In accordance with this Resolution, a panel of some thirty members is nominated every year by the Government of Bengal. The panel has not yet functioned, but in three instances[1] special committees formed on the model recommended by the Committee have been distinctly useful.

Till the time of writing, this Resolution of the Government of Bengal has been the only official measure concerning industrial peace in India. The Government of Bombay, however, have drafted and published a bill which they propose to introduce in the coming (July, 1924) session. This bill is a belated result of the report of the Bombay Committee. The Bombay Committee, like the Bengal Committee, gave some thought to permanent methods of avoiding industrial disputes—good housing, co-operative societies, welfare activities of all kinds, etc.—and in regard to the settlement of disputes they recommended Courts of Enquiry, to be followed if necessary by

[1] The instances were the Calcutta Tramways strike, 1921, the Light Railways strike, 1921, and the Calcutta taxi-drivers strike, 1921.

Courts of Conciliation. In other words, they accepted the principle of the English Industrial Courts Act, and it is a second edition of that Act which is about to be introduced in the Bombay Legislative Council, with provision for voluntary conciliation and arbitration. In practice, the Bombay bill[1] is only the legal form of the Bengal Resolution, save that the bill provides for compulsion in regard to the attendance of witnesses and the production of evidence. This provision is a salutary one; but as yet it has not been proved to be necessary in India.

The Bengal Resolution, it may be added, has not proved quite satisfactory to every one. Labour leaders profess that the Resolution should be an Act; and to this end Mr. K. C. Roy Chowdhury, M.L.C., has given notice of a Council Resolution, for the coming (Rains, 1924) session, to the effect that legislation should be introduced in the Bengal Council on the lines of the English Industrial Courts Act or the Canadian Industrial Disputes Investigation Act.

The hope of the Bengal Committee that Works Committees would be successful has been sadly falsified. The Bombay Committee, too, ventured to think that there were possibilities in the development of such committees, and in an appendix to the Bombay report are given descriptions of three such committees.[2] In the constitution of these committees there is little specially worthy of note. Similar bodies exist in other provinces in India; but, in general, they are not successful unless actively supported by the management. Indeed it is true to say that success requires artificial support, and this is not generally deemed worth while by employers.

In Bengal the work of organising Works Committees was taken up with enthusiasm by employers. Government helped by the distribution of literature—mainly that which was compiled in England in connexion with the Whitley

[1] This bill has since been dropped, as the Government of India intend to introduce a bill applicable to all India.

[2] Messrs. Tata Sons, Messrs. Currimbhoy Ebrahim & Co., and the B.B. & C.I. Railway.

Reports. Model constitutions were drawn up and circulated. An *ad hoc* Conciliation Board appointed to deal with a strike on the light railways round Calcutta in July 1921, strongly recommended Works Committees as a preventive measure. Now (July 1924) the writer knows of only one successful committee—in a large iron company in Bengal, which has a special labour supervisor for its staff, and which is noted for its enlightened policy towards labour. This committee deserves a few notes.

The committee was formed in 1918, and consists of a chairman and seven members who represent the various departments in the works. Till 1922 the committee did little work. There were few meetings and no records. The company's Labour Adviser in 1922 was appointed adviser to the committee, and since then the committee has met every month; occasionally too extraordinary meetings have been called. Much useful work has been done by the committee, although, as the Labour Adviser says, all the members are uneducated in English. They are, however, good workmen. The subjects which have come before the committee include the appointment of a health visitor for women; the proper disposal of sewage; general sanitary measures; road communications between the works and villages, and between the villages and other places; the formation of a co-operative credit society; and starting a night school. In all these instances good has resulted. The committee has also made suggestions regarding the payment of allowances during the illness of workmen; these have been adopted by the management. The success of this committee is largely due to the work of the labour supervisor; but it may be added that the existence of the committee has not meant freedom from strikes. Practically the whole staff of the works went on strike recently for a short time.

In another instance, where the formation of a Works Committee was recommended by a special conciliation committee, the committee was quite unsuccessful; indeed its existence and work were farcical. The management did their best to abide by the recommendation that there should be such

a committee, but members refused to attend meetings. The employees were quite satisfied with the terms granted by the conciliation committee at the end of the strike, and did not wish to pursue matters further. In another case which has come under the writer's notice, the employer had to meet practically the whole mill staff, as they would not trust representatives. Works Committees of the western type have *not* found favour in Bengal; but there does not seem to be any root reason why they should not succeed. Indian customs and institutions lend themselves easily to such committees. The indigenous *panchayat* is a ready-to-hand institution which only has to be moulded to its new purpose. The Works Committee, too, should be useful for dealing with local customs or 'dasturs.' Each small area in India has its own peculiar ways. In the compact Bengal jute industry there are dozens of local *dasturs*, which usually are the same for a group of mills. These mills grew up round an original or old mill (*purana kal*), and the group customs are really the basis of the district organisation which is the further development of the Works Committee. But as yet there is not the basis of education to work on; and till it comes, labour organisation must in great part be artificially fostered.

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(3) The Payment of Wages in India.

Reference has already been made to the lack of a census of wages in India, and to the inherent difficultits of making such a census. For enquiries into the standard of wages a certain amount of material is accessible; there is, however, little or nothing bearing on the method of wage-payment in India. An exhaustive enquiry into this subject would lead to interesting discoveries in the lesser organised industries, and in agriculture. In the better organised industries the result would be much the same as in a similar enquiry in the West, except that the enquirer would have insuperable difficulty in differentiating real from nominal wages. In organised industries in India there are the two classical methods of payment—time and piece. But it must not be understood that, say, in a cotton mill in Bombay and a similar mill in Lancashire, or a jute mill in Bengal and one in Dundee, the same grades of labour will be paid time or piece. Some types of work are almost universally paid by the piece—*e.g.* weaving; but in several cases it will be found that, whereas in a Lancashire mill the workers are invariably paid by the piece, in India they are paid time rates. In India, if managers can get as good results by time rates as by piece rates, they will pay time rates. There are no union rules or customs in India; there is no restriction of output imposed by unions. The only restriction of output is that imposed by the individual worker's will or lack of will to work. There are customs or *dasturs* in every mill or area; in some cases they are quite as effective as trade union rules, but there is no time-rate school or piece-rate school save in rare instances, as in the government presses, which strongly opposed the introduction of the piece rate. Nor, in India, are there questions arising from driving by foremen or by the management. The one incentive to work is wages. If time rates do not give the necessary output, piece rates will, if possible, be substituted.

Where piece rates are impossible, supervision may be made stricter and still stricter; but the Indian worker is a very difficult person to drive.

In the enquiry conducted by the Bombay Government into factory wages in Bombay, the following table is given to show the relative strength of time and piece workers :—

Centre.	Men.		Women.		Big lads.		All workers including half-timers.	
	Time	Piece.	Time.	Piece.	Time.	Piece.	Time.	Piece
1	2	3	4	5	6	7	8	9
Bombay (City and Island) ..	51·5	48·5	36 6	63 4	96·3	3·7	54·0	46·0
Ahmedabad ...	53·3	46·7	54·4	45·6	100	...	61·5	38·5
Sholapur ...	60·1	39·9	19 4	80·6	97·0	3·0	57·8	42·2
Other centres ...	57·9	42·1	34 4	65·6	100	.	60·7	39·3
Bombay Presidency ...	52·8	47·2	36 1	63·9	96 8	3·2	56 0	44 ·0

Further details of individual occupations are given in the same publication.[1] Generally speaking, payment by time is most general in blowing, warping, doubling, sizing, drawing, calendering, dyeing and cloth-folding, baling and finishing departments in cotton mills, and piece wages in the weaving departments. Almost all weavers are paid piece wages; in other occupations the proportions vary.

The table printed above shows that in the case of men workers the numbers on time rates are greater than on piece work, especially at Sholapur and other centres. In Bombay the numbers are almost equal. It also shows that, save in Ahmedabad, the majority of women workers are on piece work. In Sholapur 80.6 per cent. of the women workers are piece workers. Big lads in the majority of cases are time workers. All workers included, the number of time workers is greater than that of piece workers, but this is due in a large degree to the fact that half-timers and big lads are time workers.

[1] See Report of an Enquiry into the Wages and Hours of Labour in the Cotton Mill Industry. Bombay Government Press, 1923.

No such analytical results have been published for other areas in India, but it is probable that the same general facts would be ascertained were intensive enquiries instituted. From figures supplied by 48 jute mills in Bengal, it has been ascertained that of a total of 208,972 persons employed in 1922, 65,677 were piece workers and 143,295 time workers. In Bengal big lads and half-timers are mainly time workers, while the greater proportion of women are employed as selectors, softener workers, card drawing and roving workers and as such are as a rule, but not always, paid time wages. Women are also employed in winding and hand sewing, both of which are paid by the piece. But in jute mills, as in cotton mills, the same type of worker is paid time wages in one mill and piece wages in another. In unorganised industries, or, to give them a generic name understood from one end of India to the other, village industries, and in agriculture, the time wage is much more common than the piece system, although in villages there is a good deal of contract piece work. Payment in kind (both time and piece) is common. In the quinquennial census returns compiled in Bengal, there is some material of value relating to the method of payment. In the 1911 census it is pointed out that in Bengal proper cash wages were universal, but that in Chota Nagpur, Bihar and Orissa, payment of wages in grain was well established. In the 1908 census, the Census Superintendent found difficulty in comparing wages in different districts; in 1911 the Superintendent had the same story to tell. Different grains were used for payment in districts, and the grains varied considerable in value. The Superintendent attempted to ascertain the grains most commonly in use, and their values, but he found it quite impossible to make comparisons over a period of years. Experiences such as these confirm what has been previously said regarding the difficulties of compiling an all-India wages-census; but grain

[1] These returns have not hitherto been mentioned as sources of public information. These censuses were started in 1908 at the suggestion of the Government of India. They have not been strictly quinquennial. The first was taken in 1908; the second in 1911, the third at the end of 1916.

payment is only one variation of the wage system. Payment in different degrees of kind is common all over India, although payment of full wages in kind is common only in rather backward areas. The 1916 census in Bengal showed that, of 1609 villages from which returns were made, only seven reported examples of full payment in kind, although it was reported that in about 14 per cent. of the total number of villages it was still optional to make payment in cash or grain. In practically all cases cash payment was supplemented by an allowance of tobacco; in 25.7 cases there was no additional allowance except tobacco; but in 60 per cent. of the cases cash rates were supplemented by *jalpan* (tiffin), oil for bathing or a meal. In case of very long hours, two meals a day were sometimes given. Local custom usually decides the actual form of wages. A labourer may ask for the recognised daily rate, *plus* a meal, *plus* tobacco; or he may ask for a lump sum which, he will be careful to explain, includes the pay—say, ten annas—meal allowance—say, two annas—and tobacco allowance—say, one or two pice.

These quinquennial wage censuses cover big areas and many trades, of which some standard callings are taken as types—carpenters, blacksmiths, thatchers, ploughmen, boatmen, and—a big class—unskilled labour. The following note taken from the 1911 report is self-explanatory:—
"Ploughmen are a regular feature of village society. It is very difficult, however, to work out a standard rate of wage for them. In ascertaining the value of their wages, it is necessary to take into account considerations such as the following: payment in advance; payment of a share of the produce, the grant of rent-free lands, clothing etc. An attempt has been made to give a cash equivalent to these perquisites, but any degree of accuracy cannot be looked for. Generally speaking the wages of ploughmen bear a somewhat close relation to the rates of ordinary unskilled labour with the exception that ploughmen get more extras and are more or less permanently employed."

Such explanatory paragraphs are necessary on practically every class of village wage-earner, whether he be

ploughman, artisan or porter. Thus in regard to blacksmiths one finds: "In Chota Nagpur and Orissa, the blacksmith generally receives at harvest time a quantity of grain from the villagers in proportion to the number of agricultural implements he is required to repair." Blacksmiths are very often employed at contract rates in Bengal, *i.e.*, on piece work, but piece work paid in grain is an unusual method of payment. In all village wages, but particularly in agricultural wages, the figures given in official returns may not be wholly wages; and, on the other hand, the returns may exclude figures which go towards the complete remuneration of individuals for their work. This is due to two causes—one, the family system of work in India; the other, the systems of tenure in agriculture. A village artisan may be part owner of his business, and the wages he earns may or may not be his total income; similarly an agricultural labourer may be paid wages, though actually he is part owner or occupier of the holding. There is, of course, a class of purely agricultural labourers. In Bengal they are largely immigrants from other provinces; they go from district to district according to the demand for labour, and, after perhaps nine months' work, they go to their own homes with such savings as they have, to cultivate their own fields.[1]

Even in the well-organised industries in India there is still a considerable amount of payment in kind, and this has to be borne in mind when standards of wages are being investigated. The most common payments outside the pay sheet are free quarters, or quarters lét at less than their economic rent, cheap grain, that is, grain sold at cheaper rates by thefactory than it is obtainable in the local *bazar*, free medical attention, free transport, and occasional presents. It is impossible here to go into this subject in detail. It may be remarked that in the Bengal jute mills there is a disparity in the actual concessions granted. Sometimes all mill houses are free; in other cases they are let at

[1] For further information on this point, reference may be made to Chapter XII of the Census of India, 1921. The provincial Census Reports contain more detailed information.

much less than the economic rent; in other cases *kutcha* (brick and mud, or bamboo and mud) quarters are granted free, while rent is required for *pucca* (brick and cement) quarters. In most mills there are now no grain arrangements, though the mill management always keeps a close eye on the local *bazars* and may take a paternal interest in a co-operative grain society. Some mills have their own *bazars* into which the manager allows only reputable dealers to come.

The practice, once common, of granting presents of cloths (*dhutis*) is now almost dead in big mills—especially those under European managers or managing agents. Indian managers and owners in cases still keep up the traditional present-giving at certain times—particularly at the *Diwali* festival. The presents given are usually cloths and sweets; in some cases money is given. As in most cases of bonus, these presents come to be looked on as rights; and strikes have not been unknown because of the withdrawal or partial withdrawal of such presents in lean years, or by new managers. Such extras are often spoken of as "bonuses," and, when given in large concerns, they are of this nature. In unorganised industries and domestic service they are an integral part of payment. The normal Bengali householder, for example, always includes a number of cloths at *Puja* time as part of the wage contract of his domestic servants. In the big industries, two types have to be sharply distinguished. One is the bonus added to piece rates to encourage high output. The other is a supplement to wages in the form of a lump grant given at a certain period of the year, or of a percentage (flat) increase in wages. The latter has occasioned much dispeace during the last few years. Originally this was a war measure, granted temporarily to meet the high cost of living. In some cases the bonus was ultimately completely merged in wage rates; in others, it was kept distinct. But in some wage returns both types of bonus are given together: thus the following is taken from a 1920 return. "Annas 9 per 10 hanks plus 20 per cent. (cost of living) bonus plus one anna bonus per 100 hanks."

The piece rate bonus is quite common in India: its object is to encourage a high output per man. The bonus is often so graduated that it increases very rapidly at a very high output. I give a fictitious example[1] below for jute weaving. The basic standard of output is the "cut."

Rate per cut.			Production Bonus.			No. of cuts
Rs.	A.	P.	Rs.	A.	P.	
0	9	0		*nil*		4.
			0	3	6	5.
			0	4	0	6.
			0	4	6	7.
			0	6	0	8.
			0	8	0	9.
			0	10	0	10.
			0	11	0	11.
			0	14	0	12.
			0	15	0	13.
			1	2	0	14.

Actually the rates are worked out in great details for the different kinds of product—twills (sugar bags, Liverpools, Cubans, woolpacks, etc.), hessians, and sackings. In some cases the bonuses start later than in the above example—*e.g.*, at 9 or 10 cuts, and in such cases the bonus becomes quite substantial.

There is of course, nothing new or remarkable in a bonus of this type. It can be, and is, applied also to gang and contract piece work. Contract work is common in India, and various schemes have been devised to make the most out of the contract. The party who grants the contract rarely knows how the workmen who complete it are paid. His main interest is to get the work done as quickly and cheaply as possible. Contractors have their own methods of dealing

[1] Real examples cannot be given. These rates are kept very secret by all jute mill managements.

with labour. A job price may be arranged for the work: in all probability the contractor will pay his men time rates, and he will make arrangements to work his men to the last ounce. Each contractor keeps his "book," a storehouse of jealously guarded secrets, which, with the growing inquisitiveness of the Factories Act the new insistence of the Workmen's Compensation Act, is now likely to be given the light of day. Contract work pervades every industry: it is particularly common in engineering workshops and in building. In jute mills, where the great majority of labour is direct, contractors are frequently employed for loading and unloading bales of raw and manufactured jute; porterage at railway stations is often done by contract; labour contractors, indeed, abound in every industrial area, or every area where labour is required. The *sirdar* or overseer of every mill is a contractor of sorts; he provides labour as part of his ordinary work, and he would readily contract to do more, if required. Some workshops, *e.g.*, railway workshops, and coal mining use the gang piece work system which, in their case is akin to contracting. Thus from a wages return the following gang piece work example is quoted (of a railway workshop): "The piece-workers are paid according to the quantity of work turned out monthly by each gang or single piece workers at a fixed rate for each kind of work. The amount so earned in the case of gang piece-workers is distributed as follows:

"The total amount earned by a gang at the daily rate of wage is deducted from the piece work due, and the balance (profit and loss) is divided in the proportion of one quarter to the head piece worker; three quarters to the gangmen in proportion to the amount earned by them at the daily rate of wages. Thus each man is paid his wages plus his share of profit or minus loss as the case may be, *i.e.*, the difference between piece work earning and the daily rate is on an average of 33 per cent. including overtime."

Bonuses are granted for quick work, work finished before contract time, etc.: indeed, in India, for skilled labour

many varieties of payment by results are tried to encourage quicker and bigger output, and until restriction of output is part of the Indian working man's gospel, the field is open to all methods of encouraging speedy and good work. The more recondite systems of wage payment connected with Scientific Management are still much too advanced for India. It may be remarked here, however, that experiments in fatigue testing and other concomitants of scientific study of labour have begun.

In a wage return one reads "bonus 20 per cent. grain allowance;" "bonus of one anna per rupee;" "plus 50 per cent. cost of living bonus;" "war bonus 30 per cent.", and similar phrases. All such bonuses were granted when the cost of living went beyond the current rates of wages. Not knowing whether the war prices were to last, employers in India, as in other countries, granted war bonuses. These bonuses were granted in order to avoid raising wages; they were a handy method of differentiating permanent scales from what was considered at first likely to be a temporary exigency. But the bonus scheme has had very unfortunate results, especially in Bombay and Cawnpore. In Bengal, bonuses were granted as an addition to monthly wages and later the two merged.[1] The bonus, it may be added here, is an eminently oriental method of payment: it is akin to *bakshish*, and appeals to the workman. Like other bonuses, it tends to be looked on as a right, as Bombay experience shows. But, as in time keeping bonuses, it may be used with advantage. In some cases good time keeping is encouraged by a small bonus at the end of the month. The Indian workman does not respond to the bell or gong as does his western brother, and he occasionally needs a little enticement to make him punctual. Punctuality bonuses serve quite as good a purpose as does the more common obverse in India—unpunctuality fines. Bonuses are also useful expedients for times of scarcity, which recur in India.

Special attention must be given to the Bombay bonus

[1] For practical purposes, though they are still shown separate in mill books.

system, the history of which is as follows. In July 1917, a war increase in wages of 10 per cent. was granted by the Bombay Millowners' Association. In January 1918, the Association increased the bonus to 15 per cent. At the end of the year a general strike, arising from a single strike at the Century Mill, broke out, and the strike ended on the following terms. The war bonus was increased from 15 per cent. to 35 per cent., and termed a special allowance on account of the high price of food-stuffs; and wages were augmented by payment of a bonus varying from Rs. 10 to Rs. 20 per worker. This agreement was drawn up on the 22nd January 1919, and at the end of the year the owners granted bonuses to all employees according to length of service. Strikes followed, with demands from the workers for an increased bonus for certain workers, for a month's privilege leave per year (*i.e.*, leave on full pay), and for other concessions. Most concessions were refused by the owners, who in a reply issued to the workers specifically stated "The Committee (of the Millowners' Association) can make no definite announcements as regards annual bonus. The question is one of profits and good-will, and no undertaking can be given." Bonuses continued to be paid for the years 1921, 1922 and 1923. The bonuses were based on monthly wages earned by each worker; and the management had not annually warned the workers that the bonus depended on profits. In 1923 it became evident that the industry was not doing sufficiently well to pay a bonus, and in July 1923 the Millowners' Association decided to post notices in the mills to the effect that no bonus would be paid. No bonus was paid, and in January 1924, a general lock-out was declared. The lock-out (actually it was partly strike and partly lock-out) was a protracted one, and Government ultimately intervened. A Committee of Enquiry was appointed, of which the Chief Justice of Bombay, Sir Norman Macleod, was Chairman. After a full enquiry the Committee reported that the results of the working for 1923 were such as to justify the contention of the millowners that the profits did not admit of payment of a bonus.

The following passage from the Report,[1] quoted *in extenso*, admirably sets forth the workers' view :—

"It seems clear, if the evidence of the few workers whom we have examined is to be taken as expressing generally the views of the workers, that owing to the payment of a bonus for five consecutive years the workers consider that they have a just claim against the millowners. They do not stop to consider whether or not it is based on the contract of employment, they cannot say that the employers agreed at the beginning of any one year to pay the bonus at the end, whatever the results might be, and they may or may not be aware in fact that the millowners in each year have paid a bonus on the results of the past year's working, and have never made any promise for the future except that the bonus was dependent on profits. The workers, however, now desire to divorce this demand for an extra payment at the end of the year from the question of profits or the general condition of the mill industry.

Their demands are based either on a system of a deferred payment of wages under which a proportion of the worker's wages is deducted each month to be paid to them at the end of the year, or on a recognition of one month's privilege leave on full pay being allowed for 11 months' work, or lastly on the fact that the previous payments of a bonus have created an equity in their favour, for their being paid something extra at the end of the year whether the employers can afford it or not. It has been suggested to us that, because the increase in the wages allowed from the year 1917 owing to war conditions was called a "War Bonus," the mill workers have looked upon the annual bonus as really a part of their wages and it is possible that the majority of the mill-workers could not understand the distinction between the increase in the monthly wages which was called at first a "War Bonus," and the extra payment at the end of the year which was also called "Bonus." Moreover, those workers

[1] The Report of the Committee is given in the *Bombay Labour Gazette*, March, 192[illegible].

who came to work in the mills after the beginning of 1920 would have heard that a bonus had been paid before, and finding that this was received in the following years without any warning such as we have referred to above, they have come to look upon it as a payment to which they are entitled as a matter of right according to the period for which they had worked. But we doubt very much whether the workers would seriously consider any system of privilege leave as a substitution for the bonus, since it would exclude all those who had not worked continuously for 11 months, especially those who are in the habit of going to their country in May to cultivate their fields. It has been conceded that workers who left before the date declared for calculating the bonus were not entitled to it, but the expectation of getting a bonus is said to be an inducement to many to continue working instead of going back to their villages." [1]

In Ahmedabad there was trouble from a similar cause in 1921, when a dispute regarding the detailed terms (not the principle) of the bonus arose. The dispute was settled on the mediation of Pandit Madan Mohan Malaviya, and the circumstances of the case led him to make the following general remarks :

> "I am clearly of opinion that when a mill has made handsome profits, the workmen who have by their faithful co-operation enabled the mill to earn such profits, should, as an ordinary rule be given at the end of each year a bonus equal to one month's salary. When the profits have been extraordinarily handsome, millowners might very properly and wisely give a larger bonus to the workmen."

Bonus strikes broke out in other areas, but in each case the principle was the same. Bonuses are easily paid in good years, and when they were granted in India profits were ab-

[1] The award is printed as an appendix to the Report of the Bombay Labour Office on Wages and Hours in the Cotton Mill Industry. The report is also given in the *Bombay Labour Gazette*, March, 1924.

normal. Later losses were also abnormal, but the workman relished the loss as little as the master.

In Bengal a distinctive system has grown up. In Bengal the great majority of jute mills at present work for four days a week only—from Monday to Thursday. There is a reserve of two working days to be called on when the prosperity of the industry demands it. Most mills, it may be stated, work on a multiple shift system; only the newer mills work the clean cut double shift, or as it is usually known in Bengal, the single shift. The four days' week is an owners' device to suit the market, and when the change was made from the six days' week, a concession was granted to the workmen in the form of *khoraki*. *Khoraki* means really a subsistence wage. The workers are paid their usual rates, but to compensate for the loss of two days', or one and a half day's work, they get a sum reckoned to be one day's cost of living. *Khoraki* has all along been kept distinct in the mill wage accounts, and it contains within it the seeds of trouble when five or six days' working is resumed. The worker, whatever his claim in equity to the *khoraki*, will give it up hardly. In several mills the change has been made from four to six days' working; in more than one case there has been the inevitable strike.

The Assam Labour Enquiry Committee, appointed after the tea garden troubles of 1921, to investigate the standard of tea wages, considered the possibility of a bonus proportionate to the prosperity of the garden year by year. The general opinion of tea garden managers was against it on the ground that the coolies would not understand why no bonus or a reduced bonus was given in bad years. The Committee, like the Bombay Industrial Disputes Committee, reported that the bonus system was "impracticable and undesirable."[1] This represents the view of ninety-nine out of a hundred employers in India. As we have already seen, the successful working of bonus systems, or profit-sharing, requires a high

[1] Paragraph 134 of the Report of the Assam Labour Enquiry Committee, 1921-22.

measure of intelligence, and even fairly high intelligence at times fails to prevent trouble when bad times mean a reduced bonus or share in profits, or none at all. To expect bonus systems to operate successfully among employees the great majority of whom are illiterate is out of the question.

The payment of wages in India is intimately bound up with the type of workman. The physical and mental types vary enormously from the simple aboriginal to the mechanic who has had to go through a thorough apprenticeship, which may include theoretical training at a technical institute. In making international comparisons this is of the utmost importance. India suffers continuous pressure from outside to pass laws bringing Indian labour into line with western labour and in recent years much has been done to westernise labour conditions. Hours have been limited by statute; sanitation provisions enforced; workmen's compensation begun; child labour regulated; in many cases such legislation is passed in opposition to the worker. The Indian worker, even in the higher reaches of intelligence, is very much a person *sui generis*; he prefers to live and work in his own way. In cases strikes have been occasioned by attempts of managers to enforce the liberal provisions of the recently amended Factories Act; in some instances the provisions have proved quite unenforceable. The same may be true of the labour provisions of the amended Mines Act, which came into effect on the 1st July, 1924. The time is not yet ripe for judgment, but it may be said that the hours of work provisions have given grave cause of doubt to those closely connected with the management of mine labour.

A few paragraphs are now given to a discussion of wage conditions in two of India's chief industries—coal mining and tea.

The Indian collieries,[1] which extend from Burma and Assam to Baluchistan, and from Baluchistan to Mysore, employ, in all, some 184,355 persons. The chief mining areas are in the provinces of Bihar and Orissa and Bengal. There are several separate areas of development in Bihar and

[1] 1922 figures (*vide* Report of Chief Inspector of Mines for 1922).

Orissa—some highly developed, some in the process of development. The developed areas are Jharia and Giridih; those about to be developed are Talcher and Karanpura. In Bengal the collieries are in the Asansol and Raneegunge areas. For our present purposes we may speak of the two areas as the Jharia and the Raneegunge fields. In both of these areas labour is partly imported and partly local. In Raneegunge the proportion of imported labour is smaller than in Jharia. The typical Raneegunge miner is a small farmer, or, rather, belongs to a small farmer's family, and has a family interest in the farm. He goes to the mines to earn enough to keep himself and help his father. Even if he keeps himself he does well, for the farm produce has one mouth less to satisfy. The mines are a godsend to the family, for they provide a means of subsistence close at hand. The miner leaves his home daily for the mine, if it is reasonably near—say within ten miles. If it is further away he will have to settle down temporarily near his work. During his period of work he will take as little leisure as possible. His meal times and sleep will be cut down to the minimum to let him earn enough to go back to his home. He works for only three or four days a week: the piece rates are such that in this time he earns enough to fill his stomach and perhaps have something over to add to the family purse. He does not work to save: he works to satisfy immediate wants. During the period of actual work, our miner will be "all out." If he could he would work twenty-four hours a day, to let him get out of the dark mine and back to his village home. Rest periods are of no consequence to him during work: he knows little of them and cares less, for does he not have four days a week rest period all on end? Yet, were Indian labour properly internationalised, he would have to work, say, only six hours a day. He would rather not go near a mine than work thus, for under such conditions he would get back to his village only for Sunday. It will thus be understood why the amended Indian Mines Act, passed on the 23rd February, 1923, regulates the hours of employment in terms of weekly hours, thus (Section 23 of the Act):—

"No person shall be employed in a mine—

(a) on more than six days in any one week;

(b) if he works above ground, for more than sixty hours in any one week;

(c) if he works below ground, for more than fifty-four hours in any one week."

No miner works for fifty-four hours in any one week, not because of the Act, but because no power on earth could compel him to work so long. But did the Act enforce a six, eight or twelve hours' day, there would be an immediate diminution in colliery labour, for the farmer-miners would prefer to stay at home.

The same is generally true of Jharia. Labour in Jharia is not of the same type as in Raneegunge. In Jharia it is impossible to have local farmers to do the work: the miners *are* farmers, but they come from further afield and settle down at the mines for a period of each year. Labour is imported from the surrounding and other areas which can supply it. Miners stay a few months on the mine and then go home. They are miners for, perhaps, eight or nine months during the year. They must go home at sowing time or harvest time and help their families. In bad years labour is plentiful, for a bad harvest means less food to go round. Bad harvests mean good output at the colliesies, and, also, good recruiting years for the tea gardens. It makes no difference to the mentality of the collier whether harvests are bad or good, or whether he is settled in the mining area or not. He works till he earns enough to fill his stomach; and no one can compel him to exert himself further.

In 1921 the writer conducted a confidential enquiry into wages in coal mines for the Government of India. Although the results were not published, it is possible to set down here a few of the general conclusions reached. These show not so much the method of payment as the type of mind that has to be taken into account when methods of payment are devised. It may be mentioned that in December 1920 mine owners had raised wages by some 20 per cent. This rate was a general one, and was adopted, though not universally, by European

and Indian owners and managing agents. The rate prescribed by the Indian Mining Association applied to miners working under the most favourable conditions. A first-class colliery providing good conditions such as soft cutting coal, surroundings, good ventilation, and tubs close to the cutting face paid (before December, 1920) six annas per tub of 13 cwts. Higher rates were given for more difficult mining. The new rate added 1½ annas more per tub of 13 cwts. to colliers working under first-class conditions. The rate varied, as previously, according to the difficulty in extracting the coal. The increase, granted to meet the rise in the price of commodities, had the immediate general result of reducing output, for the miner had to work less to earn the same wage as before. Attendance became worse and irregula[illegible] more marked. Under the previous rates miners used to work four to six days a week; now they worked only three or three and a half days. The miners' output during the period of working did not suffer: he simply worked shorter time. In some cases miners worked more or less regularly for a fortnight, then they went home for a fortnight, to return for another round of a fortnight, and so on. In the absence of more miners, output suffered considerably, and various means were discussed to persuade the miner to "win" more coal. In actual fact the miner is a simple soul, with simple tastes. His staple requirements are rice and *dal*, and grog. I quote from a report written by me at the time :—

"The whole difficulty of the position is that the miners belong to a primitive people. Their desires for money end when they think their physical needs are satisfied. Their physical needs are few. They are limited mainly to the provision of food and grog, and, once the miner has enough money to provide these, nothing in the world will persuade him to earn more. He thoroughly believes in the virtue of idleness. In fact, he only works spasmodically in order to enjoy a fairly long period of idleness. The miner also does not like discipline. In fact, were the discipline of the mines severe, it is probable that a very large number of the miners would leave their occupations. Coal mining, especially the actual

cutting of coal, is by no means a savoury occupation, and one of the reasons which keeps the miner at his work at the present moment is that he can go into and come from the mines just as he pleases. All the mine managers recognised that the miner cannot be driven. Nothing will persuade him to work more if he thinks he has earned rest, and the only method to cure this attitude is either to multiply the miners indefinitely or to provide machinery for cutting coal if the output is to be increased.

The miners belong to a type of mankind which is rapidly disappearing from civilisation, the type which is often associated with the ideal state of nature. Coming from their primitive villages with their primitive methods of life, these men and women have become parts and very important parts of the modern industrial machine, and the demands of that machine make it essential that their ways of living should be altered. In due course, doubtless, these people will be converted into efficient workmen according to our modern standards, by means of education and contact with other types of life. Essential as education may be for industries, one may prophesy that ultimattely it will raise more difficulties than it will allay, and that, on the principle that whosoever increaseth knowledge increaseth sorrow, it will not make the present happy population in the mines happier.

At the present time very few of the miners save any money at all. There are a few, however, of the very best miners who do put by money and invest their savings in land or cattle. The examples do not seem to be sufficiently numerous to infect the great body of miners with the idea of material prosperity. One method of encouraging the miners to save money suggested was that more adequate means should be provided for the miners to invest their savings in cattle and land. I heard of no organisation in existence which had this for its object.''

The method of wage-payment has little effect on the miner, who cares only for results. Various means have been devised to make the miner more eager to earn. The simple piece method (which as in all coal fields is accompanied

by contract and gang piece work) has failed to affect output, because large earnings are not an attraction. The management has had to bear the burden, and this it has done by the provision of mechanical cutters, and of better facilities for working and removing coal. These measures have to some extent overcome the labour difficulty. One manager of a large concern had in his mind a differential piece rate to be applied to the higher staff, to encourage inventiveness and general efficiency. At the Trade Union Congress held at Jharia in 1921, Mr. Pattinson, Chairman of the Indian Mining Association, outlined a bonus scheme with the object of encouraging high output. Very high rewards were offered for high output. But these methods are of little avail. What has been tried is educating the miner to want more, to increase his needs. Some have tried to educate him to appreciate cinema shows. The shows are given free at first : then a charge is imposed, with the hope that the miner will require more money. Football, cheap jewellery and other harmless 'needs' have been tried. Grog, as has been said above, is one of the staples of the miner. He must have his week-end "drunk", and the mining industry suffered severely at one period when the non-co-operation attack was made on excise. Political leaders, in their desire to stop government revenue, were able to persuade the colliers for a short time to give up liquor. The persuasion was short-lived, but while it lasted output went down because the miner had one need less. Some colliers earned the same money as before, and (so I was informed by a contractor) they had to spend it somehow. It was spent on women, and venereal disease returns went up rapidly. With the collier drink is an essential : he cannot thrive without it, and the non-co-operation victory for temperance was very short, and while it lasted it was more a paper than a real victory. I was informed by a well-known manager that one Sunday afternoon a very well-known political leader had a big meeting of colliers at which he proposed the temperance resolution of the time. He asked a show of hands in support : every hand went up in his favour. Satisfied with his mission he went off to another area, and, said the manager,

never in all his experience in the coal fields had he seen so many drunk miners as on the evening after they had so unanimously supported the resolution.

The stomach regulator of wages in the minefields, among a certain grade of labour, is almost automatic. Output in other countries is carefully regulated by unions. Careful figures are kept by well-trained offices, but it is doubtful if the result is more effective than is the case with the Bengal and Bihar miner. It need hardly be added that there is no trade union among the miners. In spite of the attempt of the All-India Trade Union Congress, which held its annual meeting in 1921 at Jharia, there is not the semblance of a single union or of a federation. The all-India meeting left no trace in the minefields: indeed it is doubtful if one among a thousand miners understood what the purpose of the meeting was. Mine managers are still trying to devise means to make the colliers earn more. Machinery has been introduced, and this had led to the importation of a more stalwart type of labour—Sikhs, Punjabi Mahommedans, in one case, Yorkshiremen. The medley of physiques, tongues, characters, religions and customs makes unionism more remote and the problem of wages still more complicated.

The tea gardens of Bengal and Assam according to the 1921 census employ over 700,000 persons.[1] The great majority of the workers are imported from other areas in India. In Bengal there is, especially in the Darjeeling district, a fair amount of local and Nepali labour, but the following extract from the 1921 Census Report shows the nature of most of the labour:—

> "In Jalpaiguri district the most numerous people among the labour force are Oraons and then Mundas, in Darjeeling Khambus and Rais (Jimdars) and then Murmis. - - - - - Of the coolies in Jalpaiguri, 90,348 were born in the Chota Nagpur plateau and 29,018 in Jalpaiguri district, mostly the children of imported coolies.

[1] The exact figures are :—Assam 517,118; Bengal 188,549. See *Census of India, 1921*, Volume I, Chapter XII, where a detailed description of the labour is given.

> Of the coolies in Darjeeling 29,632 were born in the district, 8,359 on the Chota Nagpur plateau and most of the rest in Nepal."

In Assam (the Assam Valley, Cachar and Sylhet) the great majority of labour is also imported. The local labour is of little importance. We are not concerned here with recruitment: all that need be said is that it is conducted under statutes by organisations in which the tea interests and Government are concerned. Details, historical and actual, on this subject will be found in the Annual Reports on Immigrant Labour in the Province of Assam, issued by the Government of Assam, in the reports of the recruiting and supervising agencies (the Assam Labour Board and the Tea Districts Labour Association; also the Tea Association), and in the Report of the Assam Labour Enquiry Committee, 1921-22. Tea garden labour is recruited from every source in India capable of providing it, but chiefly from Chota Nagpur, the United Provinces and the Central Provinces. It is thus recruited from the same areas as supply the collieries, and is of the same type. Recruitment is costly, it may be added, and the cost per recruit provides every inducement to the tea garden managers to make the conditions of work as attractive as possible.

An analysis of the system of payment in tea gardens illustrates the difficulty of reducing the methods of payment in India to a system; in this respect tea-garden labour is emblematic of the whole wage-system. Tea garden labour is usually classed as agricultural, but, unlike ordinary agricultural labour, it is organised and thus bears a resemblance to factory labour, which, as we have seen, is only a very small percentage of the total Indian labour force. Tea gardens also have factories in which factory labour is employed, and, under the Factories Act as amended in 1921, tea factories (and also the similar indigo factories) are now technically classed as factories and are registered under the Factories Act. There is no clear line of demarcation. Under section 35 of the Factories Act, tea factories (as distinct from tea gardens) have to keep a register of factory labour, but the keeping of such a register

has led to much difficulty. The factory staff is only partially permanent: labourers are brought off the garden or sent into the garden as circumstances demand. A sick garden worker, for example, not able to stand wet weather, may be brought into the factory for light work. But here the Workmen's Compensation Act comes to the aid of the Factories Act. The Workmen's Compensation Act does not extend to agricultural workers, but it includes all who work in registered factories. Thus tea gardens in their own interests must keep a strict record of their factory labour.

The conditions of tea garden labour are fully set forth in the Report of the Assam Labour Enquiry Committee, which was appointed after the historic exodus in 1921. Here we are concerned only with the system of wage payment. Tea garden labourers are mostly paid piece rates which depend on the quantity and quality of the work done. Wages may be paid daily, weekly or monthly. A standard daily task is set: the task in Assam is known as the *nirikh*, the payment for which is called *hazira*. The *haziras* paid, say, at the end of the month, are the equivalents of the *nirikhs*. A labourer who completes his *nirikh* for each working day of the month earns his full monthly wage, or, rather, the minimum monthly wage, for the employer must provide every man with a *nirikh* to enable him to earn his *hazira*. Besides this, it is the custom to provide opportunities for extra earnings, for certain work, at certain seasons of the year; these are known as *ticca*. *Ticca* earnings depend on various factors, such as the amount of work to be done, the number of labourers, the financial condition of the garden, and the season. If there is abundance of coolies the changes of *ticca* earnings are smaller than if the labour force is relatively meagre. In times of depression managers must cut down costs and leave work undone which otherwise might be done. In dry seasons the output of leaf may be smaller, with less plucking to do. In the cold weather there is less work to be done than in the hot weather and rains. On the other hand, labourers may be satisfied with the minimum of *haziras*. They may prefer to work on their own plots of land in their spare time; or to sleep and enjoy themselves

in their own fashion. *Ticca* work in some gardens, like overtime in factories, is paid at increased rates. The Labour Enquiry Committee found that in some gardens, in preference to raising wage rates, managers gave more opportunity for *ticca* earnings when the cost of living was increasing during and after the war.

The above system is not universal. Several gardens in the Darrang, Sibsagar and Lakhimpur districts have a unit system. This is really a variation of the *hazira* and *ticca* systems. This system is based on the one-anna unit in hoeing and pruning, and on the pice unit in plucking. The idea of the unit system is to give the labourer unlimited opportunities of earning as much or as little as he chooses, and that he should know beforehand what his earnings will be for the amount of work done. The system is appraised as follows in the Report:—

> "Under the unit system payments are usually made weekly as it is believed that this practice tends to less indebtedness among the labour force, in so far as a cooly earning ready money weekly is perhaps less likely to require advances from the garden or from money-lenders. It is also said that the unit system makes it easier to reduce tasks when such a course is considered advisable. It may also facilitate the correct maintenance of the wage registers. As regards the disadvantages of the system, there is perhaps a tendency to sacrifice quality to quantity. As the cooly is not bound to complete a minimum day's task, it must be more difficult, especially in the case of hoeing, to make measurements. Though the system undoubtedly gives a chance to the hard-working cooly, it tends to impoverish those who are lazy or improvident. The opinions of managers who work on this system are somewhat conflicting. The Committee feel some difficulty in criticising the system. They think it is reasonable to expect the com-

> pletion of a standard daily task. One advantage of the *hazira* system is that it is easier for the employer to estimate the time required to complete a given piece of work. Perhaps it would be correct to say that the unit system is an honest attempt to induce the cooly to increase his earnings by doing more work, while leaving it to him to decide how much he does.''

Another modification of the *hazira* and *ticca* system is where, after the labourer has finished the standard task, extra work is offered at so much per anna. The labourer may do as much or as little of the extra work as he chooses.

Where tasks cannot be measured, time wages are given, *e.g.* in plucking at the beginning and end of the season. Time wages are paid in such cases, but there is also a stipulation that a certain amount of work shall be done. Supervisors or foremen (*sirdars*) and watchmen (*chowkidars*) are paid time rates. In some cases *sirdars* are paid bonuses or commissions on the amount of work done by their gangs.

Bonuses are paid to labourers at the end of their agreements, and these may be looked on as deferred wages. They are part of the wage contract when the cooly is recruited. The purpose of such a bonus is to induce the cooly to stay on to the end of his agreement, *i.e.* to prevent him from changing his garden or deserting. The Assam Labour Enquiry Committee very pertinently suggested that, in considering the adequacy of remuneration of labour on the tea gardens, it would be more correct to use the term *earnings* than *wages.* The wages book shows money earnings (*hazira, ticca, etc.*); the bonuses granted at the end of contracts may be added, but there remains a number of concessions which vitally affect the real income of the garden labourer. These concessions include housing, medical attendance, land for cultivation, grazing land, fuel, cheap rice, clothing and blankets, and a short note may be given on each head to illustrate what is universal in India, whether it be agricultural or factory labour. Concessions, of course, vary in degree from

place to place and industry to industry, but in some form they exist practically everywhere.

The Assam concessions were originally statutory. Under Act VI of 1901 the provision of house accommodation, water-supply, sanitary arrangements, hospital accommodation, and medical attendance was compulsory, as was also the supply of food grains at a price to be fixed by the local government. Heavy penalties were provided for failure to carry out the provisions of the Act. This Act, however, lapsed, and with it ceased the above obligations. In practice tea gardens carry out the spirit of the old Act. Every effort is made to provide good houses. The type of house varies from place to place. Sometimes the houses are arranged very much like the native villages of the occupants; in other cases, where land is scarce, they are built in barracks, as they are in the more congested areas of the jute mills in Bengal. As a rule coolies are given the option of living in garden-owned houses or in houses of their own building or choice. The cost of garden houses was variously estimated in 1921. Better class houses were said to cost as much as Rs. 300/-, and *kutcha* houses Rs. 60/-, with, in the latter case, Rs. 15/- for annual repairs. The capital outlay and recurring charges are a heavy item in the accounts of every garden. So also are the expenses of medical work—hospitals, dispensaries, doctors. How far this can be called a concession is doubtful, for it is obviously in the interest of the employer to have healthy labour, and, in India, direct provision of medical help is more efficient than contributing to the funds of local bodies for the same purpose. The same to a certain extent is true of housing, for it pays all industries to have a satisfied and, if possible, permanent labour supply.

A concession of a more substantial nature is land for cultivation. A return[1] for 1920-21 shows that no less than

[1] See Resolution on Immigrant Labour for 1920-21, published by the Government of Assam, also the Assam Labour Enquiry Report, pp. 23, sqq. The figures for 1921-1922 are: as settlement-holders under Government, revenue Rs. 0-13-11; landholders' rent, Rs. 5-10-8; gardens, Re. 1-14-6.

126,951 acres were held by labourers borne on tea garden books (*i.e.* as distinct from ex-tea garden labourers). This represented one-fifth of an acre per adult, or perhaps two-fifths of an acre per family, the produce of which represents a very considerable addition to the individual or family income. The average rent per acre of such land let out by gardens was Rs. 1-9-3 as compared with Rs. 5-14-3 when let by private landholders and Rs. 1-13-8 for government land (revenue). Generally speaking the land let by gardens to their own labourers is lightly—even nominally—rented, although ordinary economic rents as high as Rs. 6/- an acre not unknown. In bad times rents are frequently remitted. It is understood between the garden and the cooly who rents land that he or some members of the family must work on the garden, and, as the Assam Labour Enquiry Committee found out, the obligation is usually fulfilled. Conditions consequent on tenure may best be described in the words of the Committee's report :—

> "Coolies are rarely ejected from the land except as a disciplinary measure. In some gardens the distribution of land is uneven, and there is always a risk that if a manager tries to remedy this, his action will be resented as an attempt to interfere with vested interests. It is natural that those who hold more than what appears to be a fair share should object to a redistribution especially if they have had the trouble of originally clearing the land, or if it has been sold or mortgaged to them. In some gardens the land in possession of coolies is regularly surveyed and mapped and leases are issued. Land is of little use to the cooly unless he gets sufficient leave to cultivate it and to reap the crops. Of late years the tendency in most estates has been to grant more liberal leave for this purpose. On gardens where it was necessary owing to the depression in the industry to restrict opportunities for overtime earning

coolies were encouraged to open out land for rice and sugarcane cultivation. As is inevitable, new coolies have no land for cultivation. It takes a cooly three or four years at least to save sufficient money to set up a holding with the necessary live-stock. The available land is often already in possession of the older residents, and some time may elapse before a holding falls vacant. While it may be readily conceded that the profits derived are an addition to the cooly's income, the uneven distribution of land among a labour force fluctuating from year to year makes it extremely difficult to arrive at any money equivalent which would be of practical assistance in determining the value of cultivation to the average labourer on an estate. It would not be impossible to extract the cases of individuals who hold land and to calculate the value as far as they are concerned, but it would be obviously incorrect to say that the money value of the total crops divided by the number of coolies on the books represents an addition to the wages of the average coolies many of whom, especially new immigrants, have no land at all. Another point is that the cooly receives no pay when he is engaged on his own cultivation situated within or without the estate grant, so that the wages foregone would have to be deducted from the gain or produce sold or retained for home consumption".

Grazing lands are provided where possible, and the gardens usually employ cowherds to look after the labourers' cattle. Fuel also is provided free from forest land belonging to gardens, or, where no forests exist, allowances are sometimes given in lieu of free fuel. It is also a common practice for gardens to give loans free of interest to reliable labourers for marriage expenses or similar purposes. Clothing and blankets are often provided at less than market cost: this was

very common during the period of high war prices. For many years special provision has been made to supply rice at reasonable prices. As we have seen, it was at one time a statutory obligation on the gardens to provide rice at Rs. 3/- a maund, and many gardens, in spite of the lapse of the Act enforcing this, have kept up this custom. The standard now, however, is Rs 5/- a maund, and when rice exceeds this figure gardens arrange to supply it themselves at a maximum price of Rs.5/-. Most gardens have arrangements whereby their coolies are safeguarded from being cheated by *bazar* dealers, *e.g.* from receiving bad or mixed rice. The value of the rice concession in Assam may be seen from the fact that the losses on grain (rice and paddy) supplied by tea gardens to labourers, as calculated on the prices ruling during the year ending the 30th June, 1921, was over twenty-two and a half lakhs of rupees.[1]

In the mining districts attempts have been made to keep miners by giving them land. In some cases collieries give land free, in others they charge a nominal rent. In colliery districts, of course, conditions are quite different from tea districts. All colliery companies have not zemindari rights, and even if they had the land could be let out only to a very limited number. The letting of such land is not an unmixed blessing, for the miner often prefers his land to the mine, and output suffers accordingly. Like tea gardens, many collieries keep a strict eye on the price of rice.

How are these concessions looked on by labour? The Assam Report, quoting the Labour Enquiry Committee of 1906, voices the labour view thus : "It is no use saying that the planter provides the cooly with extras which count in lieu of wages. This is not considered, and will not be considered by the person who is being asked to emigrate ", and, the Committee says : " It may be conceded at once that this represents the attitude of the average labourer on a tea garden as regards

[1] *Vide* Resolution on Immigrant Labour, 1920-21, and Assam Labour Enquiry Report, p. 27. The price of grain supplied (1, 117, 675 maunds) was Rs. 52,19,248. The market price was Rs. 74,79,934 showing a difference of Rs. 22,60,686. The figures are not exact; but they serve to illustrate the value of the concession. For the year ending 30th June, 1922, the difference was Rs. 9,89,274.

most of these so-called concessions." Yet in making their recommendations, the Committee did not consider it wise or practicable to convert the concessions into a money equivalent; tea garden managers too were unanimous against such a proposal. It is difficult to understand, in view of the Committee's findings, how it can be said that the average labourer gives so little heed to the concessions. Compared with money wages in other industries, the money wages of tea garden labourers are low, and were it not for the concessions it is difficult to judge how the gardens could attract labour at all. The truth is that the concessions have a cumulative effect. Recruiting is done by returned coolies or sirdars, and they have to paint a picture for the future recruit. Wages, farms, cheap rice, good conditions generally must all go into the picture, and it is the resulting *ensemble* which attracts or repels.

Reference has already been made to the Indian family system and its relation to industrial labour, and this aspect of the question requires much emphasis in tea garden and colliery labour. It is of importance in all industries, jute and cotton mills included. The unit in India is the family, not the individual, and wages are family wages, not individuals' wages. The following paragraph, taken from the Assam Report, shows the bearing of this on tea garden labour :—

"As a rule, a cooly brings his family with him to the garden. In industries, like the jute mills and coal mines, the labourer frequently leaves his family in his native district and remits money to them or returns home after some months with his savings. Managers have been asked whether the earnings of a man are ordinarily sufficient to maintain himself and his family in health and reasonable comfort. The usual reply is that the earnings would not suffice, especially in the case of a large family. It is pointed out, however, that in similar employments and in agricultural operations generally, it is the custom for the wife—and sometimes for the children—to supplement the family

> earnings by their work. Mr. Melitus, formerly Commissioner of the Assam Valley, calculated that the average cooly family consisted of one working man, one working woman, about three-tenths of a working child, about one non-working child, and about two-tenths of an adult non-working dependant. This may be accepted. An individual family may comprise a stronger or a weaker group of wage-earners, but any exaggerated deviation need not be considered."

The same is true of mines. The writer has examined several family budgets compiled in Jharia, and from these has ascertained that of an average family of 4.18 members, 2.32 are earners. The enquiry also showed that while the earnings of the father, or head of the family were not sufficient to pay the weekly expenses, the total family earnings showed a surplus. The surplus went to the home branch of the family to which all earning members would sooner or later return. Family earnings also account in part for the very large remittances sent by jute mill employees to their homes.[1] While individually workmen may be able to spare little after their weekly expenses have been paid, when living with earning members of their family they can spare a great deal.

An interesting point connected with the payment of wages is the time of payment. With a few exceptions, it is the custom in India, in factory labour, agricultural labour,

[1] The Report of the Committee of the Indian Jute Mills Association gives each year a statement showing the total number and amount of money orders issued by the post offices serving the Calcutta Jute Mills. Others besides the workers in the mills may send money orders, but the orders sent by them form only an insignificant proportion. The figures for the last three years are (value in rupees) :—

1921	1922	1923
1,32,22,237-12-4	1,32,32,149-15-10	1,41,72,263-7-0

Similar figures have been compiled for the colliery areas. During an average month more than three lakhs of rupees are remitted from post offices in the Jharia coal field. (See the Report of the Chief Inspector of Mines for 1923).

unorganised labour and domestic labour and domestic service, to keep wages in hand for sometime after they have been earned. This of course, is not the case in short tasks which last only a day or two ; but in all cases where payment is made weekly or monthly (the month is the usual unit of time in India for wage calculation as distinct from payment)—this system of deferred payment is, with some exceptions, in vogue. The custom is an indigenous one ; it was prevalent before large scale organisation began. It serves a very useful purpose. The labour turnover per year in every factory is large ; the main reason for that we have already seen—the fact that the factory operative is a farmer and wishes to return to his home for some time every year. The agricultural connexion of the labourer also gives him considerable independence in the choice of a job. He may come to a factory, stay for a week or two, decide he would like to shift, and, without notice, leave. Factory work under such circumstances would be difficult, and the expedient of keeping back wages for a period has helped the stability of labour. However much a labourer wishes to change his quarters, he dislikes having to work without pay. Keeping back his pay makes him give due notice, and enables the management to arrange accordingly. The root cause of the difficulty is an extremely shadowy knowledge or appreciation of the idea of contract on the part of the worker. This is reflected in several Acts [1] which make such breach of contract a penal offence. Much as such Acts have been criticised, the fact remains that they were necessary in their time : otherwise several industries in India could not have been built up. The penal provisions have not much longer to live, but in the meantime labour has come to appreciate, even if dimly, that they have certain reasonable obligations to their employers.

Deferred payment is also to some extent a type of insurance against loss or breakages, though this aspect of it is now lost in large scale industry. It is still prominent in

[1] *e.g.* Act VI of 1901 (repealed in 1916); Act XIII of 1859 (Workmen's Breach of Contract Act).

domestic service. Carried to extremes, keeping back pay may lead to grave injustice or to a type of service not far removed from slavery. I have heard of cases of domestic servants in Bengal being kept six months in arrears. Under such circumstances the servant cannot go to other employment :otherwise he would lose his back pay. He could not take his case to court, for if he did so he would lose because of lack of evidence. Deferred pay sometimes has unfortunate results in the case of new-comers. In their case it means no pay for a considerable period : in some instances, indeed, new-comers' wages are held back for as much as six weeks. In the mean time they have to borrow, and borrowing in India, though universal, is one of the worst curses of the country, owing to the very high rates of interest charged.

A short recital of the prevailing customs in Bengal, will show the variety in the time of payment. In textile factories all employees are paid weekly. They are paid on the last working day of the week for work done during the previous week *i.e.*, one week's pay is kept in hand. The payment is made during working hours. All skilled labour in the majority of non-texile factories, including railway and engineering workshops, is paid monthly. Payment is made on dates varying from the 10th to 20th of the month after the wages have been earned : *i.e.* ten to twenty days' wages are kept in hand. In some cases unskilled labour is paid daily : in some cases weekly ; in other cases monthly, but where the men are borne on the regular wages book staff, they receive their pay late like the skilled staff.[1]

In collieries and tea gardens the deferred system is not so common. The simple minded collier or tea cooly likes to get his money at once. In many collieries the miners are

[1] These may be taken as representative. There has been some discussion recently in Bombay on the fortnightly system prevalent in the cotton mills. The Governor of Bombay suggested to the millowners that weekly payments should be introduced, but it is understood that the workers have expressed their desire to continue the present system. It may be added that in many government concerns payment for the past month is made on the 1st or 2nd of the succeeding month. Advances are also commonly given when workers require ready money.

paid at the end of their shift. In many tea gardens coolies are paid at the morning muster for work done the previous day. Sometimes *ticca* earnings are paid weekly. In other gardens the coolies are paid weekly, fortnightly or monthly: the time of payment depends largely on custom and convenience. The following remarks of the Labour Enquiry Committee on this subject are of some interest:—

> "Coolies are creatures of habit and dislike and are suspicious of changes. The evidence of Mr. Woodward of the Tingri Tea Company is to the point. On his garden the coolies are given the option of weekly or monthly payments, and although weekly payments mean more money to the cooly, the majority prefer monthly payments. It may be that they like to receive a lump sum at the end of the month in preference to small amounts paid at short intervals. One argument in favour of weekly payments is that it tends to make the cooly more provident. It really depends on individual idiosyncracy. The careful and thrifty cooly doubtless would prefer a lump sum at the end of the month. In the case of gardens where rice advances are given out weekly and where the cost is realised by deductions from pay at the end of the month, the result may be that improvident coolies have practically nothing in hand after payment for the rice. If payments are made weekly and the rice is paid for in cash, it is probable that the ordinary cooly would be more careful how much rice he took, and, if necessary, would do more work in order to have enough money for other necessaries. In some gardens where monthly payment is the system, there are a certain number, usually physically unfit or improvident coolies, who are paid weekly. On the whole

> the Committee do not feel justified in recommending any particular method of payment, but content themselves with pointing out what seems to be the advantages and disadvantages of the different systems."

The attitude of labour towards the time of payment may be judged from the fact that, of the 421 strikes recorded in Bengal since 1920, the question of the time of payment has been raised in only five.

From what has already been said, it will be gathered that the difference between total earnings and money wages, and between nominal and real wages is very considerable. So far the additions or concessions have been mentioned. Nothing has been said of reductions in or substraction from wages. This is quite as universal in India as concessions or late payments. Reduction in wages arises chiefly through the institution known as *dasturi*, literally translated, custom. *Dasturi* is akin to *backshish*, bribery, and commission. The servant requires *dasturi* on every article he buys for one in the *bazar* : he may perhaps get double-edged *dasturi*, perhaps one or two pice from the shop-keeper in the *bazar*, which the shop-keeper pays to the servant to induce him to go to the shop; and one or two annas he adds to the price when he charges his master. The cook takes it on every article of the daily *bazar*, and so long as it is not outrageously high, the householder says little. It extends to every walk of life: indeed it appears sometimes in the most amazing ways where one word least suspect it: in the selling of railway tickets, for example. Here we are concerned only with its effect on the labourer. The labourer has to pay *dasturi* to get a job. This, in all probability, is a lump sum, but the lump sum in itself is not sufficient. He may have to pay a regular percentage of his pay, or it may be a fixed sum, to the person who got him his job. That person is the *sirdar*. Thus it is that a *sirdar's* job is so valuable. He has an income quite independent of his pay. The income he invests to advantage in houses where men in his gang must stay (and pay rent), in loans to his fellow-workers, perhaps in trading—for his men

must buy at his shop. The workman may also have to pay a fixed sum to the pay-clerk, who, in his turn, may have to pay hush money to his superior clerk. The process is unending: even the powerful *sirdar* has to pay to keep his job. Every mill is honeycombed with this sort payment. It is natural to the people: they do not complain save when the demands become too heavy. They pay as they would be paid to: they have not to be bullied into payment: it is, to them, a necessary expense. Managers do not—indeed dare not interfere. Attempts have been made to abolish it: not one has been successful, but strikes have arisen from the attempts. Managers know it goes on; they have, however, much difficulty in proving individual cases. The whole system is a sort of underground organisation, effective and silent, and it has to be accepted as such. The habit is so ingrained in Indian society that the injustice of these payments is rarely mentioned: indeed they are looked upon not as unjust but as inevitable, as part of the wages or trade machine. In some cases there are recognised scales of *dasturi*, but usually it is a matter of higgling. The *dasturi* usually is higher for persons on higher pay; it varies in direct ratio to the dignity and position of the person receiving it. Only when the exactions become crushing are such payments likely to lead to complaint, and even when they are made a subject of complaint, some more potent cause lies behind, for example, the *sirdar* concerned may be unpopular because he has dismissed several workers for flimsy reasons to make room for relations or favourites, or he may be over-strict in his supervision. The recorded strikes of Bengal show only one instance of a strike caused by a demand for dismissal of a *sirdar* because of exactions. Several strikes have been caused by demands for dismissal of *sirdars* for other reasons.

It has been stated above that *dasturi* exists but usually cannot be proved. The lack of proof is not due to its non-existence, but to the unwillingness of individuals to disclose details. *Dasturi* is not only inherent in the wages system, but it is a sort of insurance premium. Cases have been known in which severe penalties have been laid down for persons

receiving *dasturi*; the penalties, too, have been published broadcast so that all concerned should know. The result in every case is to drive *dasturi* further underground. Instead of paying in the daylight, the worker goes to the recipient's house in the dark; or, if the house is suspected, he will meet him in the jungle. In *dasturi* there is always both a will and a way.

In one notable case the system was brought to light; or it would be truer to say, to half-light. As the result of the Genoa Convention, passed in 1920, for establishing facilities for finding employment for seamen, the Government of India, on the 2nd March, 1922, appointed a Committee to examine the methods of recruitment of seamen at the different ports in India to ascertain whether abuses exist in the Indian system, and whether those abuses are susceptible of remedy. The Genoa Convention, it may be remarked, was not ratified by the Government of India: the appointment of the Committee was a compromise. After making exhaustive enquiries, the Committee submitted a report, which however, was not published. The following paragraph will show the reason :—

> "The Committee have presented a unanimous report in which they find that the present system under which shipping companies engage seamen through licensed brokers appointed under section 18 of Act I of 1859 or private brokers (in Calcutta sometimes known as *ghat serangs*) has resulted in grave abuses. After taking legal opinion, the Government of India have decided to treat as confidential the first three paragraphs of the Report which describe the existing system and the abuses to which it is liable."[1]

The recommendations of the Committee are still *sub judice*, and it is impossible for the writer, who has been closely concerned with the Report, to say anything further here. It would have been most illuminating to publish details: but

[1] Government of India Resolution, Lascar Seamen, dated 25th May, 1922.

that is forbidden. It can be said, however, that the evidence conclusively showed the existence of *dasturi* or bribery from one end to the recruitment system to the other, and the *dasturi* was on a scale such as would surprise every traveller by sea or consignor of goods.

Dasturi, it may finally be remarked, affects wage standards, as shown in wages returns, in a remarkable degree. It is well known by both employers and employees that certain posts have other emoluments besides the paper pay, and the paper pay is regulated accordingly. In some jobs no pay is necessary at all; the conventional pay is a mere bagatelle compared with the gross value of the job. But in these days of publicity, it is well to show a paper wage, and pay it. Such publicity does not affect *dasturi*.

Of profit-sharing schemes which would come within the standard defination, there is practically none in India. The Bombay bonuses are of the nature of profit-sharing, but, as has been pointedly brought out by the Bombay mill-owners, there is no pre-arranged system of profit-sharing. The following scheme was brought before the Bombay Committee in evidence. It is printed below, as given in the Report (Appendix C):—

> "Mr. Natvarlall G. Majumdar, manager of the Sholapur Spinning and Manufacturing Company, Limited, suggests an Employee Copartner's Association for every mill. He thinks this, in combination with Works Committees, would go a long way towards making the relations of employers and employees satisfactory. Under his scheme, a proportion of between 10 and 25 per cent. of the capital of the factory would be held in copartnership certificates of small value, available only to an Employee Copartnership Association and a fixed proportion of these would be assigned to each department, any undistributed profits being retained by the department to which the certificates are assign-

ed for its welfare work. Each employee after 5 years' service would be entitled to hold certificates up to a certain maximum according to his salary and length of service. On his reaching the required seniority he would pass a promissory note to the value of the certificates he required and the cost would be recovered by easy instalments from his pay. A fixed payment of, say, 5 or 6 per cent. interest in addition to any share in the profits should be made on the certificates. On the employee ceasing to be employed by the mill the shares should revert to the Association at par. The employees would thus become participating preference shareholders. Mr. Natvarlall points out that an employee who does long service in a factory stands to lose more than an ordinary shareholder who risks the amount of capital he puts in and no more."

In Bengal no profit sharing scheme is in existence, so far as the writer has been able to ascertain. But in Jhajha, in Bihar and Orissa, an attempt has been made to start a scheme, and I give below the details, as supplied to me by Mr. K. C. Roy Chowdhury, M.L.C., who is a director and trustee for the two proprietors and shareholders of the private limited company. Mr. Roy Chowdhuri, it may be remarked, is one of the two nominated representatives of Labour on the Bengal Legislative Council :—

"This Company, *viz.*, the Bihar Lime and Cement Company Limited, are successors to the Jhajha Cement Company Limited, in liquidation, manufacturers of natural cement and hydraulic lime from calcareous nodules (known as kankar or ghooting). Its output, about twelve thousand maunds per month, is all sold to and supplied to King George's Dock, Garden Reach, under a contract. The factory stands on a site

> of one acre and is worked by one steam engine as well as one oil engine. All operations ceased for two years until revived by the present company in March, 1923, with a labour force of only 25, which increased to 80, the present average strength, including 20 women, and 25 boys, with wages varying from four annas for boys, five annas for women and six annas for men, for eight hours work daily, between 7 to 11 and 1 to 5 p.m., *plus* occasional overtime at the rate of one anna per hour for all. There are about 12 Moslems and the rest are either *Goalas*, *Dosads* and *Musars*. The bonus agreed to be paid is 25 per cent. of net profits to be divided among workers of not less than 12 months' service, from 1st of June, 1923. The balance sheet is being prepared now and profits will be distributed in August. It is also proposed to provide free tiffin of ¼ seer of milk and ⅛ seer of *satoo* (powdered gram). Ninety per cent. of the labour comes from a distance of about 5 miles."

The scheme is quite a new one, and no results can yet be reported.

On wages, both wage levels and the method of payment, there is ample scope for further enquiry, and it is to be hoped that the young Economics and Commerce schools of the Indian Universities will produce scholars to take up what official agency for a long time to come will be unable to afford. Labour in India bristles with interest. The industrial revolution is yet young in this country, and the moulds are still being made in which industrial life is to be shaped. Labour for many years has been a meek and silent force ; but it is finding a voice and consciousness. The instigation and inspiratons, as in western countries, will come from above, from the paternal government and from men and women who feel a genuine interest in the working classes. Labour class consciousness will take long, very long, to develop ; for, as yet, there

is not even the class to produce the consciousness : it is mixed, inchoate, unorganised and largely inarticulate. There are faint whisperings of a coming recognition of the dignity of labour. At a recent labour conference in Bengal, for example, a unanimous resolution was passed to the effect that the word "cooly" should no longer be used in describing Indian workmen. But Indian labour has a long way to go before it can be compared with western labour. In some respects, indeed, it may be hoped that Indian labour will never have the the same problems as the west. In the recent International Labour Conference (June, 1924), it was reported[1] that a delegate roundly charged the Government of India with lack of sympathy with and care for labour, because they had taken no steps to eradicate unemployment. The delegate was doubtless surprised when the Hon'ble Mr. Chatterjee, who represented the Government of India at the Conference, replied that there was no unemployment problem in India, as unemployment is understood in the west. The reason we have already mentioned, so far as industrial labour is concerned. But there *is* an unemployment problem in India, of its own kind, and a much more serious one than the West has known. The Indian unemployment problem arises through famines, and the steps taken by the governments of India to deal with famines—the famine codes—are without doubt the finest unemployment machinery the world has ever known.

Partly through its political connexion, and partly through earnest labour workers, Indian labour has recently achieved some prominence in the west, and the above notes may help to show how necessary it is to guard against imitation of the west in labour matters, and how every Indian labour problem must be approached from an Indian point of view. It is not too much to say that were Indian labour to have superimposed on it the good things many western theorists would wish it to have, there would be revolution tomorrow—at least the wheels of industry would stop. The many notable advances that have been made since the war—the limitation of hours of work in factories and mines ; the

[1] The report is taken from a Reuter's telegram in the daily press.

raising of the age limit for children employed in factories; the enforcement of rest periods during work; special provisions for female labour—had they been voted on by labour alone, would in several instances have been incontinently thrown out. Progress in India will, and must, be gradual, even slow, and this the international friends of India must learn to appreciate.

APPENDIX A.

Recent Legislation on Conciliation and Arbitration.

The purpose of this Appendix is to supplement the information contained in the author's *Conciliation and Arbitration* (Bulletin No. 23 of the Bulletins of Indian Industries and Labour, published by the Government of India in 1922). In the limited space available it is possible to refer only summarily to recent developments in the subject; and the remarks must be confined mainly to laws, on conciliation and arbitration. It is quite impossible to dwell on the development of trade boards in Europe (although a passing remark must be devoted to the British system), or on minimum wage legislation in general. Nor can we here follow the almost bewildering complexities of Works Council legislation in the old and new states of the continent of Europe. For information on current developments the reader must be referred to sources of detailed information, particularly the *Labour Gazette* (Britain) and the *Monthly Labour Review* (United States), each of which contains summaries of world developments, as, indeed, does practically every reputable official labour gazette. The publications of the International Labour Office give the fullest information, and to these the labour investigator must always turn in his time of need. The *International Labour Review* contains periodic articles on industrial peace from first rate authorities; the *Studies and Reports* series gives *in situ* authoritative analyses of labour conditions; the *Legislative Series* publishes *in extenso* all new labour laws, orders, decrees, etc.—an

invaluable reference source to the official; the *Industrial and Labour Information* series gives weekly information on labour developments all over the world.

The notes which follow are set out in the order of contents of *Conciliation and Arbitration*. Only salient features are noticed, and where possible attention is directed to further sources of information.

Great Britain.

The only developments which require note are the Report of the Cave Committee or Trade Boards[1] and the development of Whitley Councils. The Cave Report[2] was issued in the first half of 1922, and contains a very full analysis of the working of the English system. After reviewing the evidence the Committee concluded that "while the effect of the Trade Board system on trade and industry has occasionally been stated in terms of exaggeration, there is substance in the allegation that the operations of some of the Boards have contributed to the volume of trade depression and unemployment", but that "the system on the whole has had beneficial effects, as admitted by both employers and workers." The system, says the Report, has succeeded in abolishing the worst forms of under-payment. It has improved conditions for the less skilled and poorer workers; in particular it has bettered conditions for female workers in unorganised industries. It has also protected good employees against unscrupulous employers, and has stimulated improvements in industrial methods, machinery and organisation. The system has also helped to improve industrial relations, has

[1] See p. 70, *Conciliation and Arbitration.*

[2] Cmd. 1645. 1922. For further information on the Trade Boards system reference may be made to Miss Sells's analysis in her work on the *Economic Effects of the British Trade Boards System* (P. S. King. 1922) and to Professor Tillyard's *The Worker and the State* (Routledge, 1923).

strengthened organisation of both workers and employers and has tended to prevent industrial disputes.

The recommendations are many and may best be summarised in the principal modifications of the old law as set out in the Government Bill which followed the Report:—

(*a*) The Minister of Labour will in the future have power to apply the Act to a trade only if after a public enquiry he is of opinion—

(*i*) that wages are unduly low as compared with those in other employments; and

(*ii*) that there is no adequate machinery for the effective regulation of wages.

(*b*) The existing power of a Trade Board to fix rates of wages which are enforceable by criminal proceedings is no longer to extend to rates for all classes of workers, but is restricted to the fixing of such rates only with reference to the lowest class of male and female workers actually engaged in the trade, for workers engaged in ancillary work, and for learners and juveniles. Rates for higher grades of workers may be fixed only with the assent of both sides of the Board, and, where fixed, will be enforceable only by the worker himself by means of civil proceedings.

(*c*) The Minister is empowered after a public enquiry to withdraw or suspend a trade from the Act, either unconditionally or subject to conditions.

(*d*) The Minister is given discretion to set up autonomous district Boards where necessary and to establish district committees under a Board, with such of the powers of a Board as he thinks desirable to transfer to them.

(*e*) The time required by a Board to settle, and by the Minister to confirm, changes in rescission of rates is reduced.

(*f*) Boards are empowered to exempt from rates time-workers who are incapable of earning them.

(*g*) Where the proprietor of an establishment employs workers in that establishment within the jurisdiction of two or more Boards, the Minister is authorised upon his application to determine, after consulting the Boards concerned, which rates shall operate throughout the establishment.

(*h*) A referee appointed by the Minister is authorised to determine questions as to whether particular workers are within the jurisdiction of a Board, and as to the application of rates to particular workers, subject to a right of appeal to an umpire appointed by the Crown.

In November 1923, the Trade Boards Act (Northern Ireland) was passed. This Act was the result of the recommendations of a Committee set up in November, 1921, to advise on Trade Boards, under the chairmanship of the Marquis of Dufferin and Ava. The machinery of Great Britain was recommended, with modifications. The chief modifications are:—

(1) Provisional Order procedure instead of Special Order procedure is to be followed in applying the Act to a trade or in suspending or withdrawing its application in the case of a trade to which it has been applied.

(2) The fixing of a piece-work basis time-rate as a protection for piece-workers becomes an obligation on a Trade Board in addition to the duty of fixing a general minimum time-rate.

(3) The power to fix guaranteed time-rates and the duty to fix special minimum piece-rates on the application of an individulal employer are withdrawn.

(4) The power to fix general minimum piece rates for in-workers is subject to a proviso that the question as to whether such rates shall be fixed shall be determined by agreement between the representative sides of the Board.

(5) In the fixing of general minimum piece-rates for out-workers the rate fixed "shall be not less than the piece-rates which would be paid for the work if done on the employers' premises."

(6) Provision is made for the safeguarding of juvenile workers employed on piece-work by the requirement that, during the first six months of their employment in the trade, they must receive for piece-work at least the same amount of money as they would have been entitled to if employed on time-work. If employed subsequently on piece-work they must be paid at piece-rates which would comply with the provisions of the Act if paid to a worker other than a juvenile worker employed on the same piece-work operations.

(7) The period within which a Trade Board may receive objections to proposals to fix, vary or cancel rates has been reduced from two months to one month in the case of proposals to fix rates and to fourteen days in the case of proposals to cancel or vary rates.

(8) The period within which the Ministry shall make an Order confirming the fixing, cancelling or varying of a rate, as the case may be, has been reduced from one month to fourteen days.

(9) Trade Boards may grant permits of exemption from the provisions of the Act in regard to minimum rates to time-workers who are incapable of earning the minimum rates owing to age or other disability, as well as to those suffering from infirmity or physical injury.

(10) The Ministry is empowered to extend the jurisdiction of a Trade Board over two or more trades which in the opinion of the Ministry are of an allied or kindred nature.

(11) The Ministry, on representations from employers or workers in any trade for which a Trade Board has been established, that a district trade committee is necessary or desirable in that trade, may establish a District Trade Committee to which the Trade Board may delegate any of their powers and duties under the Act other than their rate-fixing powers and duties. District Trade Committees are required, however, to make recommendations to the Trade Board as respects minimum rates for the district concerned.

(12) The number of Appointed Members on each Trade Board has been limited to one, who will act as Chairman.

(13) The provisions in regard to legal proceedings have been amended, and follow more closely the procedure under the Factory and Workshop Acts.

The development of Joint Industrial Councils may be traced from the monthly reports contained in the *Labour Gazette*. The *Report on the Establishment and Progress of Joint Industrial Councils, 1917-1922*, published by the Industrial Relations Department of the Ministry of Labour in 1923 gives a full account of the Whitley Reports, the establishment and work of the Councils, together with a general review, and a note on the Whitley principle abroad. A special chapter is devoted to the work of the Councils in respect to conciliation and arbitration. The central function of the Councils, of course, is the promotion of industrial harmony, but a note may be given on the procedure of the Councils in the prevention of strikes and lock-outs and in adjusting differences. It may be stated that in the period covered by the Report, 73 Joint Industrial Councils (of which 15 were not functioning), 150 District

Councils (apart from Departmental Councils) and over 1,000 Works Committees had been established.

In the model constitution for a Joint Industrial Council drawn up by the Ministry of Labour, special provision was made for the settlement of differences, with a view to bringing disputes before those most conversant with them and to ensuring as quick a settlement as possible. The constitution of a large number of individual councils provides that no stoppage of work shall take place until the issue in question has been considered by the Council. In some cases, where such provision has not been made in the constitution, the principle has been adopted by a joint resolution. In other cases, where questions affecting wages, hours and other working conditions have been expressly left to the previously existing machinery, provision has been made for the intervention of the Councils when the other machinery fails. Some Councils have drawn up formal procedure for conciliation and arbitration, and even where there is no formal machinery, disputes have been brought up in the ordinary course of business, *i. e.*, through the Works Committees and District Councils, and the National Council.

Details of individual schemes are given in the report, but space forbids their being included here. The following type—that of the National Wool (and Allied) Textile Joint Industrial Council, may be quoted :—

"The constitution of this Council provides for the annual appointment of the following :—

(*a*) A panel of chairmen of arbitration courts, three persons being nominated by either side ;

(*b*) a panel of members of arbitration courts, eight persons being nominated by either side.

The nominations for these two panels are from the membership of the National Council;

(c) a panel of four umpires not being members of the National Council but selected by a resolution of that body.

It is provided that the parties to a dispute shall each select two members from the panel of members of the Arbitration Court and that two chairmen (one representing either side) shall be appointed in accordance with a prescribed system of rotation to preside over the Court thus formed. The award of the Court is to be issued within seven days of the date of hearing, and the constitution of the Council provides that "it shall be obligatory on both employer and workmen to honour the award of the Arbitration Court and to work its terms for a period of not less than 42 days, provided that at the end of 28 days from the date of the decision of the Arbitration Court either side may give 14 days' notice to the secretaries of the Council that a dispute is imminent on the issue previously decided upon. (It shall not be incumbent on either party to submit the same issue to the Arbitration Court for a second time, but where an award of the Arbitration Court has obtained for three months, any issue arising shall be considered to be a fresh and undecided one). In the event of the Court failing to agree upon an award, provision is made for the appointment, either by agreement or by lot, of an umpire, from the panel, whose decision shall be final."

Special Committees have been appointed to deal with by several Councils. A successful instance of intervention by a Council, after the Industrial Courts Act[1] had been put into operation, is quoted below. The dispute affected the electricians at Penistone, and took place in August 1920.

"The dispute arose is connection with the position of a foreman as regards trade union membership, and led to a strike of members of the Electrical Trades Union at the

[1] See pp. 59 sqq. of *Conciliation and Arbitration*.

establishment of a certain firm at Penistone, followed by a lock-out of the members of the Union in the employment of member firms of the Engineering and the National Employers' Federations. In pursuance of the powers conferred upon him by the Industrial Courts Act, 1919, the Minister of Labour appointed a Court of Inquiry to investigate the causes and circumstances of the dispute. The Court proceeded to take evidence. Meanwhile, the question was considered at a special meeting of the Joint Industrial Council for the Electricity Supply Industry, which would have been affected by a spread of the dispute, when it was agreed that "the Electrical Trades Union should be recommended to suspend their strike notices until after the Court of Inquiry has reported to the Ministry of Labour," and it was also agreed that "the Electrical Trades Union having intimated to this Council that they are prepared to withdraw the question of principle arising out of the Penistone dispute, this intimation be regarded as an acceptable basis of settlement, and it is therefore recommended that the Engineering Employers' Federation should withdraw their lock-out notices and the Union instruct their members to resume work immediately."

At the third day's sitting of the Court of Inquiry, the parties asked for an adjournment so that they might have an opportunity of conferring together with a view to a settlement on the basis of the Joint Industrial Council's recommendation. On the following day, the Court was informed that a settlement had been reached and that the dispute was at an end."

The conciliation and arbitration work of Councils dealing with public utility and municipal services also requires note. Three types of cases are mentioned :—

(*a*) reference to a National Joint Industrial Council of a difference between the two sides of any of its District Joint Industrial Councils;

(*b*) consideration by National and District Joint Industrial Councils of appeals against the grading of individual undertakings or authorities in relation to graded schedules of minimum wages rates approved by District Joint Industrial Councils; and

(*c*) interpretation of existing agreements as applied to particular cases in dispute.

Successful work is reported in all the above cases; and the conclusion of the Report is:

"The work of the Councils and Reconstruction Committees in preventing stoppages of work has been attended with a very considerable measure of success—a fact due in the main to the task of mediation being undertaken by the members of the industry themselves with the minimum of formality and delay. It must also be borne in mind that in many cases where the establishment of special machinery has not been considered necessary, the mere existence of a Joint Industrial Council on which the organisations on both sides are constantly in touch has been effective in obviating disputes. Cases very frequently arise in individual firms or localities where an informal discussion between the representatives of the Trade Unions and the Employers' Associations on the occasion of the meeting of the Council suffices to secure that the necessary steps towards an adjustment of the matter are taken. The fuller acquaintance which results from regular intercourse on Joint Industrial Councils or Committees between the leaders of either side greatly diminishes the opportunity for disputes to arise through lack of goodwill or of mutual understanding. Further, the fact of such matters being liable to discussion by either side of the Council or by the Council itself in full session, renders it difficult for an individual association or group of persons to maintain an unreasonable

attitude towards other parties similarly engaged in the industry."

Reference may also be made to the Bill introduced on the 14th April of this year by the Minister of Agriculture and Fisheries "to provide for the regulation of wages of workers in agriculture, and for purposes incidental thereto." The aim of this Bill is to establish an Agricultural Wages Committee for each county of England and Wales, and an Agricultural Wages Board for England and Wales, with power to fix minimum rates for workers employed in agriculture for time work, and also, if they think it so necessary, for piece work. Rates fixed by the Committees are, it is proposed, to be subject to confirmation by the Agricultural Wages Board, which is to be empowered to fix rates of wages in default. A Schedule to the Bill lays down the constitution of Agricultural Wages Committees and of the Agricultural Wages Board.

Australia and New Zealand.

The only features of Australasian legislation that require notice are the consolidation of the Queensland laws in the Queensland Industrial Arbitration Act, 1923,[1] and the New Zealand Amendment Act, dated the 31st October, 1922, which came into effect on the 1st January, 1923. The chief features of the New Zealand Act[2] are these :—

Whereas the Act of 1908 provided that awards were to apply only to workers employed for the pecuniary gain of the employer, the amending Act states that any award may be applied to a County Council or Road Board, on application by such authority or by any union of workers on behalf of the employees of such body.

A new provision requires industrial organisations of employers and workers to keep proper accounts, and

[1] See pp. 102 sqq., *Conciliation and Arbitration.*
[2] See p. 195, *ibid.*

empowers the Registrar of Industrial Unions to require any association to submit its accounts to audit, if he has reason to believe that accounts have not been properly kept or that money has been misappropriated.

It is also prescribed that no person shall be required to pay an entrance fee exceeding five shillings on his admission as a member of any workers' organisation. Moreover, no subscription is to exceed one shilling a week, and no levy is to become payable until at least one month after a person has become a member.

Mention must also be made of the New Zealand Board of Trade Act, 1919. This Act was passed to supplement the Cost of Living Act, 1915, and its aim was to check evils in the industrial and commercial system of New Zealand arising out of the War. The Act was passed for the better maintenance and control of the industries, trade and commerce of New Zealand, and though it excludes from its scope the fixation of wages, it is sufficiently wide in scope to control the conditions of wages. The Board is authorised to enquire into any matter which may be necessary for the due control, maintenance and regulation of all or any industries, and wide powers are conferred on it for this purpose. In theory the Board has complete power to organise industrial and commercial life in New Zealand, but it has not used its full powers; nor has it contributed anything towards the promotion of industrial peace.

Canada.

Reference may be made to the amendment proposed in 1923 to be made to the Lemieux Act,[1] to the Manitoba Industrial Conditions Act, 1919, which provides for the establishment of a joint council of industry which has power to investigate disputes, and which at the request of both parties, acts as a board of arbitration; and to the

[1] See pp. 142 sqq., *Conciliation and Arbitration.*

amendment in December, 1922, of the Quebec Arbitration Act. The amendment to the Lemieux Act was introduced by the Minister of Labour on the 23rd March, 1923. The amendment makes it unlawful in industries covered by the Act for an employer to make effective a proposed change in wages or hours until the matter in dispute has been dealt with by a board of conciliation. The Quebec Act prescribes that when a council of arbitration or conciliation is asked for in any labour dispute, no party to such dispute shall be represented by any paid agent or agents, and the members of an arbitration or conciliation council must not be interested in the dispute. Should a lawyer desire to represent any party before an arbitration council, he can only do so on his agreeing not to accept any remuneration. In the case of a strike or lock-out, none of the members of the body which is out on strike can act as a member of the conciliation board.

Officers of a labour federation are authorised to ask for an arbitration council. The decision of the Minister of Labour as to authorisation or refusal to form a conciliation board shall be final. The minimum penalty for refusing to agree to arbitration, when invited to do so, is raised from 100 to 200 dollars.

South Africa.

The Union of South Africa, in the early part of 1924, passed an Act to make provision for the prevention and settlement of disputes by the creation of Joint Industrial Councils or by Conciliation Boards. The Act prohibits strikes or lock-outs in public utility services, provides for compulsory arbitration where such services are concerned, and contemplates government control when they are disorganised by trade disputes.

The following are the principal provisions of the new law.

The Act applies to all industries, trades and undertakings except agriculture and farming; undertakings carried on by the government are affected only in exceptional cases. Employers' organisations may agree with registered trade unions to establish joint industrial councils for the various districts, which councils shall be registered with the Minister of Mines and Industries. In areas where a particular industry is not sufficiently organised for the establishment of a council, conciliation boards may be appointed by the Minister at the request of a sufficiently representative number of workpeople or employers. The parties to any dispute which is referred to a council or board may by agreement apply to the Minister to appoint a mediator, who shall endeavour to bring about a settlement of the dispute and shall make a report to the Minister.

A majority of the representatives of the employers and workpeople on a council or board may agree to abide by the decision of one or more arbitrators, but such agreement must provide for the appointment of an umpire should the arbitrators fail to agree. Any award thus made is to be binding on all the parties represented on the council or board which has agreed to the appointment of the arbitrator or arbitrators. Pending the issue of such award, or during its operation, it is unlawful to declare a strike or lock-out.

If the parties make application that an agreement arrived at shall be binding on the parties thereto, or shall be extended to other employers and workpeople in the industry, the Minister may issue a public notice making the agreement so binding. Furthermore, if he is satisfied that the parties are sufficiently representative of the industry concerned, he may extend the operation of the award so that it shall be binding upon all employers and workpeople in the industry in any defined area. In like

manner he may extend the awards of arbitrators or umpires.

In any undertaking, industry or trade covered by the Act it shall be illegal to make or demand any alteration in the terms of employment without one month's notice being given, or such shorter notice as may previously have been agreed upon. Either party concerned may refer the matter to a council or board for consideration. The alteration of terms of employment which is demanded shall not take effect until the council or board has determined or reported on the matter; but it is provided that the report is to be issued within one month of the date of reference.

In the case of disputes between local authorities and their employees in public utility services, when a council or board has failed to reach a settlement, the parties shall agree to the appointment of an arbitrator within three days. In the event of disagreement the Minister shall himself appoint an arbitrator, whose award shall be binding upon the parties to the dispute.

Power is reserved to the Minister to take over and operate a public utility service at the local authority's expense should such authority be unable or unwilling to continue the service by reason of any lock-out, strike or concerted action of its employees.

It is provided that no strike or lock-out may be declared until the matter in dispute has been reported upon by a council or board, and until any further period stipulated in any agreement between the parties within which a strike or lock-out shall not be declared, has expired. This provision, however, does not affect strikes or lock-outs in public services, which in any circumstances are illegal.

The Act also contains provisions for the compulsory registration of trade unions and employers' associations, and

for the registration and regulation of private registry offices.

Offences under the Act are punishable by fines or imprisonment or by both.

An interesting effort at setting up special conciliation machinery for an individual industry is that of the mining industry in South Africa. After the close of the big strike in 1922, the Transvaal Chamber of Mines and the trade unions concerned set themselves to prepare a solution to their difficulties. After long negotiations a joint scheme was finally decided on, which came into effect on the 1st October, 1922. An account of the scheme, of which a summary follows, is given in the *International Labour Review* for December, 1922.

The scheme is based on the assumption that neither employers nor employees will avail themselves of the corresponding province of the Transvaal Industrial Disputes Prevention Act.[1] The conciliation machinery is subject to modification at any time by the conciliation board, and is terminable on six months' notice by either side. The provisions do not apply to officials, which term includes foremen who have a 30-day notice clause in their contract of employment, shift bosses, dust inspectors, employees on secretarial, clerical, and store-keeping work, assaying, hospital, and compound work.

No strike or lock-out shall take place until the procedure laid down has been completely carried out in regard to the point in dispute. A month's notice is to be given of any alteration in working conditions, by posting in the mine or, if of general application to the whole Rand, by publication in the newspapers and to the trade unions concerned. It is laid down that, for the time being, trade-union methods of handling disputes are recognised by the gold producers' committee. It is made clear that shop

[1] See pp. 158 sqq., *Conciliation and Arbitration.*

stewards and workshop committees are not recognised by the gold mining industry. Any employee is at liberty to become a member of a trade union or not, as he thinks fit. When a trade-union official is present at a discussion, an official of the employers' organisation may also attend, if the mining company desires it. Non-union members shall have exactly the same rights in lodging complaints as trade unionists.

Any complaint must in the first instance be laid before the official concerned within three days; it must directly concern the employee. If satisfaction be not obtained, he may lay his case before the manager. If no agreement is arrived at, he may again interview the manager bringing with him a whole-time official of his trade union. Should an agreement still not be reached, the trade union official may again interview the manager the employee concerned not being present. Unless otherwise arranged, interviews shall take place outside working hours. Where a number of employees are concerned they may appoint a deputation not exceeding five, with the same procedure. The manager shall not be required to discuss with third parties individual contracts, engagement, suspension, discharge, promotion, or derating of employees; on those matters his decision shall be final. For a period of six months the decision of the manager on a complaint made by an employee and supported by a whole-time trade-union official shall be final. The arrangement for union officials to interview the management may continue after the six months by mutual arrangement between the gold producers' committee and the unions which desire continuance.

When a dispute between the management and a body of employees comprising all those of a particular class, or numbering more than ten, is not settled under the previously explained procedure, the employees may request that

the matter be brought before the board of directors, the meeting to take place within a week. The men, accompanied, if they wish, by their trade-union representatives, shall discuss the matter with the directors and such individuals as they may invite, not more than seven persons on either side. In the event of no agreement being arrived at within a fortnight, either party or the Minister of Mines, acting through the Department of White Labour, may apply, within 21 days of the meeting, for the calling together of a conciliation board.

Points of collective bargaining in regard to wages, hours and other conditions shall be discussed between the trade union concerned, and the gold producers' committee. The procedure in the event of disagreement is to be as just described. The maximum number of persons present is to be nine on either side.

The standing conciliation board will deal with matters referred to it under the foregoing procedure, and any dispute which it is mutually agreed shall be so dealt with. The board is to consist of 12 members, 6 appointed by the gold producers' committee and 6 elected by the employees of the mines, 2 to be elected by underground workers, one each by skilled mechanics, engine-drivers and firemen, reduction workers, and other surface workers. The mining industry board shall appoint the first conciliation board, which shall hold office for a year. Thereafter members shall be appointed for two years. Of the first elected board three members shall retire at the end of the year. Retiring members are eligible for re-election and provision is made for substitutes, who shall be the candidates securing the next highest number of votes. Elections are to be by secret ballot, conducted by the Inspector of White Labour. Only men whoare actually employed by the mines, or who, if out of work, were last employed within eight weeks, are entitled to vote. Only actual employees

or whole-time trade-union officials are eligible for election. Provision is made for casual vacancies. For the first six months one of the representatives of the gold producers' committee shall be chairman, one of the employees' representatives vice-chairman, the positions then being reversed.

For each dispute the board shall agree upon an independent referee ; failing agreement selection shall be made by the Chief Justice of the Union of South Africa. In the event of the board being unable to arrive at an agreement within a fortnight, the referee shall be called in. The matter in dispute shall again be discussed with the referee in the chair. His report shall be published in three newspapers within a week of presentation. It will be in no way binding on either side, but no action in the way of strike or lock-out may take place on the point at issue until fourteen days after publication. The board shall draw up its own standing orders, which must be consistent with this scheme. Expenses of the board shall be borne by the Government, the necessary secretarial and clerical assistance being provided by the Department of the Inspector of White Labour.

The United States.

Since the War, many proposals of legislation for conciliation and arbitration have been brought forward in the legislatures of the States, but it is impossible to follow them here. There was a tendency towards compulsory arbitration in several States, while the Kansas model[1] appealed to others. Most of the conciliation and arbitration laws of the States belong to the pre-war period.[2]

[1] See *Conciliation and Arbitration*, pp. 169-76, 194, 221 ; also Bulletin No. 322 of the U. S Department of Labour (Bureau of Labour Statistics) 1923, and Dr. Bowers' *The Kansas Court of Industrial Relations*, Chicago, 1912.

[2] For a summary of these laws, see the *Bombay Labour Gazette*, February, 1924. For details of American labour laws in general see *Labor Laws of the United States* Bulletin of the U. S. Bureau of Labour Statistics, No. 148).

A type of recent American proposals is an Industrial Relations Bill drafted by the New York Board of Trade and Transportation, and introduced into both Chambers of the New York State Legislature. The preamble of the bill states that its aim is "to preserve the public peace, protect the public health, prevent industrial strife, disorder and waste, and to secure the regular and orderly conduct of the business affecting the living conditions of the people of this State, and to promote the general welfare." The bill applies to disputes in public utility services, *e.g.*, disputes in industries concerned with the manufacture, transport, or distribution of food and food products, wearing apparel, etc. The Bill also applies to mining and well-boring operations for fuel, salt, and other material in common use by the people, and the making of building materials. It provides for an Industrial Relations Term of the Supreme Court as final arbitrator of labour disputes. This Industrial Relations Term, in cases submitted by the Government, would have full power to fix wages, hours of labour, rules and practices, and working conditions in the plant or industry affected. All the necessary records would have to be produced for the investigation of the conditions of employees, the wages paid, the return accruing to the employer, and all questions affecting the conduct of the business. Controversies would be adjusted on the principle of "economic-legal justice" to both sides. Ten or more citizens not financially related to either party to a dispute could apply to the Supreme Court for a restraining order to prevent a threatened strike or lock-out. Violators of the law it is proposed to make punishable for contempt of court and misdemeanour. The right of an employee as an individual to strike is admitted, and the Bill also recognises the principle of collective bargaining. It lays down that the men's representatives in such bargaining must be chosen by secret ballot.

The Chamber of Commerce of New York State also recently drafted a Bill to prevent strikes and lock-outs. The Chamber's proposal gives the Industrial Commission authority to investigate and settle labour disputes, and to supervise the taking of all strike and lock-out votes. The Industrial Commission would have full authority to "exercise such power in the interest of the peace and order of the State, and in such manner as it shall determine to be best calculated to promote the public welfare by preventing industrial discord and interruptions of industry, in consequence of labour disputes, lock-outs and strikes." Strikes or lock-outs, in violation of the Act, except as prescribed by the Commission, are declared "conspiracy in restraint of trade ;" and punishable as misdemeanour.

Mexico.

An Act respecting conciliation and arbitration boards was passed on the 6th April, 1921. The Act establishes a central board in the capital and subordinate or municipal boards to carry on operations in the municipalities. The boards are constituted on a representative basis with ample powers left to government to nominate in case the parties fail to designate their representatives in time for them to take office on the 1st January in each year. Sec. 9 of the Act says that the conciliation and arbitration boards shall take cognisance of all disputes arising between employers and workers. The municipal conciliation and arbitration boards shall have the following duties :—

(1) to bring about the conclusion of an agreement between workers and employers in case of conflict between their respective interests ; and

(2) in case of failure to arrive at an agreement, to settle the dispute by a verdict or an arbitration award.

The duties of the Central Conciliation and Arbitration Board are to supervise the working of the municipal boards, to revise their verdicts, to make proposals to the government respecting the measures necessary to conciliate and advance labour interests and to conduct labour investigations. Whenever a collective or individual controversy arises between employers and workers in any agricultural, mining, industrial or commercial undertaking, the president of the municipality, where the dispute arises, on his official initiative or at the request of either party, shall proceed to form the conciliation and arbitration board, which shall take cognisance of the case, and proceed to analyse it. A special section of the Act lays down that the municipal conciliation and arbitration boards shall not carry on their duties permanently, but only when a dispute arises; whereas the Central Arbitration Board must carry on its activities permanently in the capital of the state, with a secretary appointed by majority vote and a staff provided by law. The Act lays down detailed provisions regarding the constitution of the boards, their representive nature, procedure and enforcement of arbitration awards. Section 35 declares that arbitration shall be compulsory between employers and workers, and penalties are laid down for the non-observance of the arbitration awards.

Cuba.

On the 10th June, 1924, an Act came into force, setting up arbitration tribunals to settle disputes arising between employers and workers in the ports of Cuba.

The Act sets up Courts or Commissions to be composed of employers and workers in equal numbers, and presided over by a Judge. The courts or commissions are to work in close contact with the police for the purpose of maintaining order during strikes; and it is part of their duty to protect workers who are unwilling to take part in strikes.

If a general strike breaks out, the courts are enjoined to appoint ten per cent. of the workers to continue urgent work in ports, these workers to be afforded special protection.

A Bill is also under consideration in the Cuban Chamber of Deputies for the creation of an official body, named the National Conciliation and Arbitration Commission, to deal with all sorts of strikes in the country

South America.

Many proposals for conciliation and arbitration have been brought forward in South American states since 1919. The Argentine Republic, Chili and Paraguay have all had measures under consideration. Bolivia and Colombia have both passed Acts on the subject.

Bolivia.

On the 29th September, 1920, a Decree was issued by the Government of Bolivia to regulate strikes. The Decree provides as follows:—

"Lock-outs or strikes shall be notified to the departmental authority a week in advance of the date fixed for the beginning in the following cases:—

(*a*) when their purpose is to cut off the supply of light or water, or to stop the working of tramways or railways; and

(*b*) when persons detained or under care in hospitals or charitable institutions would be left without attendance on account of the strike or lock-out."

Strikes or lock-outs must be notified to the departmental authorities five days in advance in all cases not included in the above section, and the leaders and promoters of strikes who fail to comply with the foregoing requirements, shall be liable to a fine of 500 to 2,000

bolivianos. Members of associations and workers who fail to observe the agreement for a strike or lock-out are declared to have full liberty to dissociate themselves from the collective decisions of their guilds or associations without incurring any responsibility. Immediately upon the Ministry of the Interior's becoming aware of a proposed or actual strike, the Ministry must investigate the causes of the strike or lock-out, and the dispute must be submitted to arbitration. The parties concerned may also proceed to arbitration of their own choice. Arbitration awards are binding on the parties to the dispute, and the intervention of ordinary judges shall not be necessary for their enforcement. Public officials, says one section, shall not declare a strike on any pretext whatever. All activities contrary to this provision shall be held before the law to be "subversive.'

Colombia.

In October, 1920, an Act was passed respecting conciliation and arbitration in collective labour disputes. This Act supplements a previous Act of 1919 regarding strikes. The first section of this Act lays down: "A collective stoppage of work arising out of any difference whatever between employers and workers shall not be carried out in any commercial, industrial or agricultural undertaking or establishment until the conciliation proceedings specified below have been gone through." The proceedings referred to are (1) Direct Negotiation, (2) Conciliation and (3) Arbitration. If a collective dispute, which may result in a stoppage of work, occurs, the employees must nominate a delegation of three persons from among themselves to present to the head of the undertaking the petition for the reforms which they desire. Such persons as are elected to the delegation must have been employed for more than six months in the establishment. The head or manager of the establishment

must receive the workers' delegation within 24 hours of the request being presented; but, if he considers that he is not competent to deal with the problem at issue, he must report it to the person who is competent, who shall receive the delegation within the next 24 hours. Unless both parties agree, no postponement of a reply on account of the absence of the person competent to give a decision can extend beyond five days. If an agreement is reached as the result of these early negotiations, a copy is to be signed and sent to the principal political authority of the district, and it shall be effective for the period and under the conditions stipulated. If these direct negotiations fail, the dispute must be referred to conciliation, for which detailed procedure is laid down in the Act. If conciliators fail to conclude an agreement, the difference *may* be submitted to arbitration. The award of the arbitration court is binding and is invested with all the protection granted by the law to arbitration in general. Pending the issue of the award of the arbitration court, all collective cessation of work is prohibited in the following undertakings:—

(1) Means of transport, including railways, tramways, inland and maritime navigation;
(2) Public water-works;
(3) Public lighting of towns;
(4) Hygiene and cleansing of towns; and
(5) Working of national mines.

The Continent of Europe

France.

Of recent labour legislation in France, attention may be called to the Decree of the 31st January, 1921, amending the constitution of the Superior Labour Council. This, though not specifically aimed at conciliation and arbitration, places the French official machinery on a revised statutory

basis, and in particular provides for the representative nature or the various committees which advise the Minister of Labour. The Act of the 25th March, 1919, on Collective Labour Agreements also requires notice. This Act deals with the nature and validity of collective agreements, of their duration and determination, of adherence to and denunciation of collective agreements, and their effects and enforcement. On the question of conciliation and arbitration, reference may be made to the bill introduced on the 9th March, 1920, by M. Millerand, to make conciliation compulsory in industrial disputes in private establishments and arbitration compulsory in the case of public services. This bill has been the subject of much controversy both in and outside the legislature. The present position is that the Minister of Labour has decided to include the question of conciliation and arbitration on the agenda of the Superior Labour Council's meeting to be held in November, 1924.

Italy.

On the 9th February, 1923, a Bill was passed by the Chamber of Deputies establishing special conciliation committees for the settlement of disputes between employers and non-manual workers in private undertakings. By a Decree of the 1st May, 1916, employers and workers, between whom a dispute might arise concerning conditions of labour, were entitled to refer the dispute to a special conciliation committee instituted for each province. These committees consisted of a magistrate and four members; two of whom (one member and one substitute member) were appointed by the President of the District Tribunal from amongst manufacturers and business men in the province, and two (one member and one substitute member) from the ranks of non-manual workers in private undertakings. In certain cases the parties concerned had the right to appeal against the decisions of the provincial committee

to a central committee, attached to the Ministry of Labour and Social Welfare. This Committee consisted of a magistrate, who acted as chairman, four legal experts (two members and two substitutes), and four other members, two representing manufacturers and business men (one member and one substitute), and two representing non-manual workers in private undertakings. According to the Bill, the number of representatives of manufacturers and businessmen and of non-manual workers on the provincial committees and on the central-committee is doubled. The committees are also empowered to deal with any question relating to conditions of labour without any limit as regards the value of the sums involved.

A Decree has also been issued containing new regulations for arbitration committees for non-manual workers in private undertakings, and providing for the establishment of provincial arbitration committees and a central committee. The provincial arbitration committees are to be subdivided into two sub-committees, one for non-manual workers in public services and public utility undertakings, and one for non-manual workers in commercial undertakings. Each sub-committee will consist of a chairman chosen from among the judges of the Court of Appeal, and two representatives each of employers and non-manual workers. The central committee will act as a court of appeal at the Ministry of Labour. It is constituted on the same lines as the sub-committee, and consists of a chairman, two legal experts, one employers' representative, and one workers' representative, directly connected with the undertakings in which the dispute has arisen, and nominated by the chairman.

A Decree issued early in 1924 in Italy provides arbitration commissions for the settlement of disputes arising from private contracts of employment which do not involve a sum exceeding 20,000 lire. The commissions, which were

due to start on the 1st March, 1924, will sit in the chief town of each province. Each commission will consist of a chairman and eight members, of whom four (two members and two substitutes) will be chosen among industrial and commercial employers; and four (two members and two substitutes) among employees in private enterprises. All persons chosen to sit on a commission must be permanent residents of the province concerned. The chairman will be appointed by the president of the courts of law from among presidents of sections or judges of the courts, while the other members of the commission will be appointed by a decree of the Minister of National Economy after hearing the opinions of the prefect of the province and the local organisations of manufacturers, merchants and private employees. Appeals against the findings of the provincial arbitration commissions may be made to a central arbitration commission which will sit in Rome. The members of the central commission will be appointed by Royal Decree, and must be representative of all parties. No appeal is allowed in disputes involving less than 3,000 lire, except on grounds of incompetency of the Commission or abuse of powers. Similarly there is no appeal against decisions of the central commission save on the same grounds.

Denmark.

Till the end of 1921, conciliation in Denmark was regulated by a series of temporary measures passed in 1910, 1914 and 1918. The first Act, that of the 12th April, 1910, was passed for four years only, owing to differences between employers' and workers' representatives on certain important points. This Act provided for (1) a Permanent Arbitration Court, and (2) a public conciliator. The Permanent Court consists of an equal number of representatives of employers and workers elected by their respective national federations, with a president and two or three

vice-presidents with judicial qualifications. These are paid officials. The jurisdiction of the court extends to industry and handicrafts, agriculture, transport and (since 1919) commerce and general office work. Its functions are to enforce and interpret existing collective agreements. The Public Conciliator is a paid official, appointed by the Ministry of the Interior, on the nomination of the Permanent Arbitration Court for a period of two years. His functions are "to endeavour to adjust disputes between employers and workpeople," and he may intervene or not in any particular dispute as he sees fit. When a strike or lock-out occurs, or seems likely to occur, which threatens to have serious consequences for the community, and after negotiations between the parties have proved fruitless, the conciliator may, either on his own initiative or at the request of one of the parties, summon both parties to a conference. This summons they must obey. At this conference he is empowered to suggest terms of settlement, but these must not be published, according to the original legislation, without the consent of both parties unless a stoppage of work takes place. If, in the course of the negotiations, differences of opinion arise on important questions of wages or hours of labour, the conciliator may require both parties to furnish information on these points; if the information furnished appears unsatisfactory, he may demand an examination of witnesses before the Permanent Court. The new Act does not affect the Permanent Arbitration Court. With regard to conciliation procedure, it was agreed that the existing system had worked satisfactorily, and that there was no necessity for making any alteration in principle. In view of the great increase of work, it was, however, necessary to appoint three conciliators instead of one. These have equal authority, and will apportion the work among themselves. Provision is also made for joint conciliation by all three in case of extensive

negotiations. The conciliators are to be appointed for three years, but the appointments must not terminate simultaneously, in order that there may be no interruption of the work.

The most important alteration is the replacement of the clause prohibiting the publication of the conciliator's proposals without the consent of both parties, by one which states that the proposals may not be published without the consent of the conciliator until the answers of both parties to the proposals have been received. A further new provision empowers the conciliators to require any employers' or workers' organisation to produce a copy of any collective agreement they may have concluded, while another provides that only the exact text of any conciliation proposal may be laid before any organisation of employers or workers, and that the voting must take the form of a direct refusal or a direct acceptance of the proposal.

Holland.

The Dutch Act on Conciliation and Arbitration (officially known as the Labour Disputes Act) of the 4th May, 1923, is one of the most interesting pieces of recent continental legislation on the subject. The Act makes provision for the appointment of official conciliators in specified districts into which the country is divided. These conciliators are given special functions with regard to trade disputes, and they form an essential part of the whole machinery for conciliation and arbitration set up by the Act. The Act enjoins that, when a dispute breaks out in a commune, which will probably produce or has already produced a strike or lock-out affecting not less than 50 workers, the mayor shall notify the government conciliator thereof as quickly as possible. The mayor must, at the same time, if possible, furnish data from which the government conciliator may form an opinion as to the cause;

extent and probable consequences of the dispute. The intervention of a government conciliator may be claimed in writing by employers or employees affected by the dispute or by officials of a trade association. If the government conciliator thinks that the dispute is of sufficient importance to warrant his intervention, he must open communication with the parties, who may be summoned to appear before him by means of registered letters. If he thinks it so desirable, he must recommend the parties either to apply for the intervention of a conciliation board, or to submit the dispute to an arbitration court. He must refrain from intervention in the following cases :—

(*a*) if he finds that the parties have their own conciliators, conciliation boards or arbitration courts, unless it appears that the said conciliators, boards or courts would not be recognised in the dispute, or unless their intervention has not brought about a settlement ;

(*b*) if he finds that the dispute was brought about by one of the parties for the purpose of compelling the other party to consent to depart from an existing collective agreement or from the decision of a conciliator, conciliation board or arbitration court, to which the parties in the opinion of the government conciliator are bound to submit;

(*c*) if he finds that the dispute is a case for the law courts; and

(*d*) if less than 50 employees are affected, unless he is otherwise authorised by the Minister.

If the circumstances mentioned under (*a*) and (*b*) refer only to a section of employers or employees affected by the dispute, the government conciliator must decide, according to the circumstances, as to what extent he will intervene in the dispute.

If the government conciliator does not consider that an impending or actual dispute warrants his intervention, he must notify the applicants to that effect; and, at the same time, he may give such advice as seems to him suitable for the amicable settlement of the dispute.

If a dispute covers more than one district or industry, the Minister concerned nominates the government conciliator to intervene in the dispute.

In cases in which the government conciliator is permitted to intervene, he may proceed to constitute a conciliation board, provided that an application for such a board is made in writing by or on behalf of the employers and employees affected in that dispute, or by such a part of them that, in the opinion of the government conciliator, the intervention of the conciliation board may bring about the settlement of the dispute or effect a considerable reduction in the number of persons affected by it. It is specifically enacted that, for the purpose of conciliation, no other person shall be deemed to belong to either party than the employers, employees or trade associations of employers and employees, by or on behalf of whom an application is made for a board. The government conciliator, instead of constituting a conciliation board, is empowered to appoint a special conciliator; he also may act as a special conciliator himself on the application of the parties. A conciliation board must consist of a chairman and two or more members, the composition of which must be determined by the government conciliator in agreement with the parties. A secretary is attached to each board. The government conciliator may act as chairman of the conciliation board only if so requested by the parties. The Act provides in detail for the proceedings of the board. After the parties have been heard, the board must endeavour to conciliate them. If a settlement is arrived at, a minute thereof must be drawn up and

signed by the chairman, members and secretary, and by or on behalf of both parties. If the conciliation proceedings are unsuccessful, the conciliation board may give its opinion respecting all the points in dispute and the means of settling the dispute, unless the parties agree to submit the dispute to arbitration. The opinion of the board must be communicated to the parties; and the parties must be requested to report to the board, within a time-limit fixed by it, whether they accept the proposed means of settlement. If both parties accept the proposed means of settlement, a minute to this effect must be drawn up and signed by the board. But, in default of agreement on this point, the conciliation board may publish part or all of its opinion concerning the points in dispute, and the means of settlement proposed by it. If the minority so desires, its views may be included in the report.

If the parties, in co-operation with the government conciliator, agree to go to arbitration, they must apply to the government conciliator in writing for his co-operation in the matter. The Act uses the term 'pledge' themselves to go to arbitration, and this pledge must be drawn up before the government conciliator, and contain the following particulars :—

(*a*) the names and addresses or headquarters of the parties;

(*b*) the names and addresses of the arbitrator or chairman and members of the arbitration court, and the manner in which the arbitrator or chairman and members of the arbitration court must be appointed;

(*c*) the points in dispute which are to be submitted to the arbitration court for decision;

(*d*) the period during which the arbitration award is to be operative, or a declaration from the parties

that they remit the fixing of this period to the decision of the arbitration court;

(*e*) a declaration from the parties that they submit all differences which may arise in connection with the proceedings of the arbitration court in the dispute to the decision of the arbitration court;

(*f*) any other provisions which the parties think it necessary to include in the minute, subject to the approval of the government conciliator.

As in the case of conciliation, elaborate provision is made for the procedure of arbitration courts. It is specifically provided that the government conciliator shall not act as an arbitrator. The parties must agree to abide by the decision of a court. All decisions must be adopted by an absolute majority of the votes cast, and none of the arbitrators present at the meeting may refrain from voting. The reason of the award of the arbitration court must be attached to the award; and the result must be communicated to the government conciliator by the secretary of the court within three days of the award. Under certain conditions the Minister, after hearing the Superior Labour Council, may cancel an award by a decree with reasons annexed.

The Act also makes provision for the institution of enquiries by Ministers in special cases. It is enacted that if a dispute affecting public interests seriously will probably cause, or has caused a strike or lock-out, and if not less than 300 employees are affected thereby, and if the machinery mentioned above has failed to bring about a settlement, the Minister may appoint a committee to institute an enquiry into the dispute in question. The conclusions of the report may be published by the Minister, but he may not publish part or all of the report itself without agreement thereon with

the trade associations of employers and employees affected by the dispute or, if no such associations exist, with the persons concerned. The Act also empowers the government conciliator, on the application of employers and employees, to assist them in the conclusion of agreements relating to employment, in so far as such agreements are calculated to further good relations between employers and workers, and prevent disturbances in employment.

It may be added that the chambers of labour, or official conciliation boards for dealing with disputes in the Netherlands, established by Royal Decree in accordance with a law of May 2nd, 1897, were abolished in December 10th, 1922. The cause of the abolition, as stated in the preamble to the abolishing Act was that, as the chambers of labour had rarely been used in larger disputes (though it was admitted they had been useful in individual disputes) the annual expenditure on them of 40,000 florins, in view of the anticipated passing of the 1923 bill, was not justified.

Russia.

The latest available Act respecting conciliation and arbitration in Russia is the Labour Code issued by the All-Russian Central Executive Committee on the 9th November 1922; but, in the bewildering and ever-changing complexities of Russian legislation, it is difficult to say what Act is in operation and what is not. In a useful study entitled *Organisation of Industry and Labour in Soviet Russia*, published in July, 1922, by the International Labour Office, an imposing list of laws regulating industry is compiled; and in that study it is stated the methods adopted for preventing or declaring strikes are set forth in a Decree of the 2nd January, 1922, and a Resolution of the All-Russian Central Council of

Trade Unions, dated the 19th February, 1922. This the Labour Code superseded, and the Labour Code provides as follows :—

168. "Complaints respecting contraventions of the labour laws, and likewise all disputes arising in connection with employment for remuneration, shall be settled either by compulsory proceedings at special sessions of the people's court or by conciliation procedure before an assessment and disputes committee or a conciliation board or arbitration court organised in accordance with the principle of joint representation of the parties. A special Order shall be issued to govern the procedure of each of these organisations.

169. Every contravention of the Labour Code or of any other legal provision respecting labour, and every contravention of a collective contract which entails a criminal prosecution shall be dealt with at a special session of a people's court. This session shall be attended by a people's judge, who shall preside and two members of the court, viz., one representative of the People's Labour Commissariat and one representative of the trade unions.

Every individual or group dispute between employers and wage-earning or salaried employees may also be dealt with at such a session of a people's court, provided that it has not been referred to a conciliation board.

170. The following cases may be laid before conciliation boards and arbitration courts :—

(a) All disputes respecting the conclusion, carrying out, interpretation and amendment of collective contracts or wage agreements.

(b) All disputes arising out of the contract of work between the parties thereto, provided that the parties consent to such procedure, except in case of dispute as specified in sec. 169, para. 1.

171. Disputes shall be submitted to conciliation boards by agreement between the parties. Disputes connected with the bringing into operation of collective contracts shall not be taken up by a conciliation board until they have been dealt with by the assessment and disputes committee without its arriving at any conclusion. Disputes shall be settled before a conciliation board only by amicable agreement.

Cases of dispute may be laid before an arbitration court by mutual consent of the parties, irrespective of whether they have carry on been dealt with by a conciliation board or not. In the event of a dispute arising in a public institution or undertaking, the representatives of the People's Labour Commissariat shall form arbitration courts at the request of the trade unions; the public undertaking or institution concerned shall be bound to refer the matter to such courts. In the event of a serious dispute which menaces the safety of the State, an arbitration court may be appointed under a special resolution of the supreme state authorities (the All-Russia Cental Executive Committee, Council of People's Commissaries and Council of Labour and Defence.)

172. Only disputes arising in connection with the application of collective and individual contracts of work and the questions specially mentioned in this Code shall be dealt with before the assessment and disputes committees. Disputes shall be settled before assessment and disputes committees by amicable agreement; in default of such an agreement, the disputes may be referred to the superior court.

Note—Disputes respecting the contents of a collective contract, applications for the amendment of particular parts thereof, and likewise applications for the insertion of new or supplementary provisions in a collective contract,

shall not be within the competence of the assessment and disputes committee.

173. Appeals shall not be lodged against decisions of assessment and disputes committees, agreements before conciliation boards which are declared binding, or decisions of an arbitration court.

174. Agreements arrived at before conciliation boards shall be carried out by the parties thereto. The decisions of arbitration courts shall be referred by the representatives of the People's Labour Commissariat to the people's courts if the employers are not willing to carry them out of their own accord. The said court shall order their execution by administrative procedure within 24 hours by means of a special warrant.

The decisions of the arbitration courts, in so far as they concern workers, shall be carried out by the trade unions."

Regulations for assessment and disputes committees were issued on the 18th November, 1922.

Germany.

The development of Works Councils [1] in Germany has been carefully examined in a recent publication in the Studies and Reports series of the International Labour Office entitled *Works Councils in Germany* by M. Marcel Berthelot (1924). This book gives a detailed study of German labour legislation before and during the War, and up to the passing of the Works Councils Act in 1920. The author traces the evolution and functioning of the Councils during the last three years, and analyses them in their economic, social and political bearings. It is impossible here to go into the many problems raised in M. Berthelot's interesting study. The following conclusions may be quoted :—

[1] See *Conciliation and Arbitration*, pp. 206-8.

"In the majority of undertakings the Act of 4th February, 1920, is now working normally. The employers have accepted it as a sign of the times, and as one of the least of the evils which the Revolution might have brought them. It does not appear to be threatened by the offensive declared in industrial circles in 1923 against the social legislation of the Republic, and in particular against the 8 hour day. There has been no talk of suppressing works councils. On the contrary there is a general desire to utilise them, both employers and workers wishing to turn them to their own account. The workers are abandoning the idea of making political capital out of the Act, and are obeying the instructions of the trade unions, which are the defenders of their trade interests.

Works councils are now only a shadow of the workers' councils of the Revolution, which were modelled on the soviets. They have taken their proper place in German economic organisation, and they are widening their sphere of activity in proportion to the development of social legislation. They should be considered as part of a whole and should not be judged solely on the practical results which they have so far achieved, but rather in relation to the reforms which the Republican Government has already carried out, or which it proposes to effect.

From this point of view works councils are one of the most important triumphs of the German proletariat. They have sometimes been accused of being a mere piece of bureaucratic machinery and a drag on economic progress. It has also been said that the progress achieved next to nothing in comparison with the heavy expense and complications of all kinds occasioned by the creation of such new bodies representative of the workers. On the workers' side, the inadequacy of the Act has been denounced, and radical amendment demanded. These criticisms are due to an overstrict interpretation of the Act. One should look

beyond the present to the future and consider how works councils may develop. The work which they have accomplished, though its importance cannot be overrated, is no more than a first attempt. The normal process of evolution is going on, slowly perhaps, but methodically and surely."

In the specific subject of conciliation and arbitration there also have been interesting developments. On the 30th October, 1923, the German Government, under the Emergency Powers Act, passed on the 13th of the same month, passed a provisional Conciliation Order, to come into force on the 1st January, 1924. This order is meant to be in force till it is replaced by an Act of the legislature. A conciliation and arbitration bill was drafted by the Federal Government some time ago, and submitted to the Economic Council for approval. This bill, after being several times amended, was passed by the Reichsrath in March, 1922, and sent on to the Reichstag. The Reichstag referred it to the Committee on Social Legislation, and there it has remained since. Previous to the order of October, 1923, industrial disputes in Germany were regulated by a decree of December 23rd, 1918, on collective agreements, workers' and salaried employees' committees, and industrial disputes, and by the demobilization decree of February 12, 1920. By the 1918 decree, permanent and temporary *(ad hoc)* conciliation boards were set up, or, rather, regulated. Permanent boards were composed of one temporary and two permanent employers' representatives and a similar number of workers' representatives in the district concerned. The temporary members were selected from the branch of the industry concerned in the dispute. There might be an impartial chairman. *Ad hoc* boards were constituted to deal with important disputes, *e. g.*, those affecting directly or indirectly large numbers of persons, and those having a more than usually disturbing

effect on economic life. The Federal Minister of Labour, under certain circumstances, could intervene, if no settlement could be reached by the boards. On the 10th November, 1920, an order was issued by the President of the Federation regarding strikes in certain public utility services. It provided:—

(1) "Lock-outs and stoppages of work (strikes) shall not be permissible in undertakings which provide the population with gas, water and electricity, until the competent conciliation committee has arrived at a decision and at least three days have elapsed since the promulgation thereof.

Any person who promotes a lock-out or strike which is not permissible under paragraph 1, or who in furtherance of such a strike treats machines, works or plant in a way which prevents or impedes the proper continuance of work, shall be liable to imprisonment or to a fine of not more than 15,000 marks. Any person who undertakes a lock-out which is not permissible under paragraph 1 shall be liable to the same penalties.

(2) If a complete or partial stoppage of work occurs in one of the aforesaid undertakings owing to a lock-out or strike, the Federal Minister of the Interior shall have the right to safeguard all necessary operations and supplies and to take all the appropriate administrative measures for supplying the needs of the population or for carrying on the undertaking. These shall include the taking of steps to satisfy the justified demands of the workers. The expenses arising out of orders of this nature shall be charged to the employer.

(3) Wage-earning and salaried employees and officials who continue work in the said undertakings in pursuance of the provisions of sec. 1 or who perform necessary operations or work to safeguard the necessary supplies as ordered under sec. 2 shall not be placed

at an economic disadvantage in any respect on that account."

The first aim of the decree of October, 1923, is to take from the conciliation committees several duties which, although outside their normal scope of work, had been assigned to them subsequent to 1918. All individual disputes arising from the application of the Works Councils Act (particularly those arising from dismissals) are to be dealt with in future by the labour courts to be constituted under the proposed new law: till that law is passed the existing industrial and commercial courts are to be utilised to deal with all individual labour disputes. The conciliation committees will settle only those disputes which take place in districts where there are no industrial or commercial courts; and for this purpose the conciliation committee is to have an arbitration board, consisting of a non-partisan chairman and one representative each for employers and workmen. The decree provides that the supreme state authorities and the Federal Minister of Labour shall appoint conciliation committees to replace the existing conciliation committees. The headquarters and jurisdiction of the committees are to be determined by local economic circumstances. The committees, if necessary, may cover more than one state. They must consist of a non-partisan chairman and an equal number of representatives of employers and workmen. The state authorities appoint the chairman after hearing the economic associations of employers and employees in the district, and, on the appropriate recommendations from organisations, the representatives of the two sides.

For large economic districts or areas, the Federal Minister in consultation with the state authority has to appoint conciliators who are expected to arbitrate in important disputes. The Federal Minister of Labour may appoint a special conciliator to deal with individual cases.

The main task of the commissioners is to co-operate with employers and workers in bringing about the conclusion of collective agreements. Conciliation committees and conciliators may intervene in disputes on their own initiative or at the request of one of the parties. The first step in procedure is for the chairman of the committee or the commissioner to try to bring about a collective agreement. If this fails, the dispute must go before an arbitration or adjustment board, to consist of either of the non-partisan chairmen of the committee (the decree provides for more than one chairman, or alternates) and two representatives each for the employer and employee members of the committee, or of the conciliator and an equal number of representatives of each side appointed by him. If an agreement still cannot be reached, the board must make an award in the form of a collective agreement. If this is accepted by both parties, it has the effect of an agreement in writing. If the award is not accepted by both parties, it may be declared legally binding on them if the regulations contained in it are equitable, and if it is desirable on economic and social grounds that it should have effect. This is rather a unique provision in conciliation and arbitration legislation: unfortunately the decree does not say who is to judge the equity or social expediency of the award. Awards may be declared binding by the conciliators or by the Federal Minister of Labour according as they are of district or national importance.

The decree provides that the Federal Minister of Labour may lay down general rules or principles for the guidance of conciliators but it is specifically laid down that in their decisions the committees and conciliators are not bound to adhere to these rules. The Federal Minister is also given wide powers of supervising the procedure and activities of the committees. The federal government, the decree concludes, will defray the

expenses of the conciliators till the demarcation between the income of the central and state governments is fixed.

Spain.

During the years 1922-23, Royal Decrees were issued in Spain for the establishment of joint committees, for the settlement of labour disputes, for the regulation of strikes, and for the creation of special labour courts for the Spanish railways. The first Decree, issued on the 5th October, 1922, makes provision for the creation of joint committees for the settlement of disputes in agricultural, commercial, industrial, mining and transport undertakings. The committees may be set up on the initiative of the Minister of Labour (or of the provincial authorities or the local offices attached to the Ministry), or at instance of the parties concerned. The committees contemplated in the Decrees are of two kinds—permanent and *ad hoc*—and may be established for an industry, for a group of industries, for a particular trade or occupation, or for a single enterprise employing over 500 workers. They also may be either local or regional.

The Decree provides for the constitution of the joint committees. Each committee is to be composed of an equal number of representatives of employers and of workers; and the chairman must be non-partisan and chosen by agreement between the two parties, or, in default of agreement, nominated by the Minister of Labour. Provision is made for the conduct of business in the committees after the usual manner. Permanent joint committees, it is stated, will be established by Royal Order in the more highly industrialised districts. Members of the committees must be elected by secret ballot on both sides, and, if organisations do not exist, at separate meetings of employers and employed held expressly for this purpose. Permanent joint committees must be renewed every two years.

Temporary or *ad hoc* joint committees are to be set up to deal with disputes as they arise in the less industrialised districts. Members of the committees are to be appointed by the local authorities after consultation with the interests concerned. These committees may decide, by a unanimity of votes, that the matter in dispute shall be submitted for arbitration to the local authority, to an official organisation or to the Minister of Labour.

By a Royal Decree published on the 31st August, 1923, rules were laid down by the Government of Spain for the regulation of strikes. The Decree applies to all industrial undertakings employing more than 300 persons, including public services and banks. It is enacted that the Institute of Social Reforms will keep a register of all such concerns, with full particulars of the managers and directors thereof and of all agreements with the staff. Changes in these particulars must be reported within fifteen days; and every January a statement of increases or decreases in the staff must be sent to the Institute. Membership of legally constituted trade unions and collective demands regarding conditions of labour must be recognised by employers. Every demand made by the workers must be agreed upon by such workers at a formal meeting, rules for the conduct of which are prescribed. If the employer concerned does not reply to a demand within three days, or if the relations between the two parties are broken off, information must be lodged with the competent authority. A joint strike committee is then appointed, and, if either side refuses to nominate representatives on this committee, the places will be filled by members from the same side nominated by the Local Committee of Social Reforms. The Institute of Social Reforms is empowered to nominate at any moment expert advisers to investigate the dispute and report upon it to the Ministry of Labour, Commerce and Industry, which will then consider action to

bring about a settlement. If all efforts of the authorities fail, the Joint Strike Committee must meet once a fortnight with a view to arriving at a settlement.

The Third Decree, for the creation of special labour courts for the Spanish railways to settle disputes between the companies and their employees, was issued on the 23rd December, 1923. The Decree provides for the establishment of :—

(*a*) district railway courts for each company or group of companies; and

(*b*) a central railway court for all companies.

The district railway courts will consider all disputes between the companies and their workers and employees (1) that are of a general character or involve collective interests; (2) that concern the staff as a whole or certain specified services; (3) that are not expressly reserved by law for the jurisdiction of the ordinary courts, subject to the reservation that in this case the interested parties may refer the dispute to the railway court; (4) that do not relate either to technical management or to discipline; and (5) when 10 per cent. at least of the personnel of any one department of any one company have made demands or complaints to the management without obtaining satisfaction.

The district courts will be composed of a chairman—who will be a judge in the Madrid district and a magistrate in other districts—together with three to five members representing the railway companies, three to five members representing the workers, one member representing the users of the railways, and one member—a railway engineer or assistant engineer—who will act as secretary, and will both vote and take part in the discussions.

The central court will be composed of a chairman—a chief judge—together with six members representing the companies, six representing the workers, two members

elected by the Higher Council of Railways (one representing the users and one the Government), and a secretary, an engineer, who, however, will neither vote nor take part in the discussions. This court, which will have its headquarters in Madrid, will decide on appeal all questions which are within the jurisdiction of the district courts. Both the central and the district courts will consider any question which the Government may decide to submit to them. The members of the district courts and of the central court will retire every two years, but will be eligible for reappointment. The courts have the right to call for documents and to summon as witnesses any member of the staff of the railways. No member of the staff is to suffer any loss of emoluments by reason of his presence at the courts either as a member of the court or witness. All expenses arising out of and in connection with the meetings of the courts are to be borne by the railway companies. Provision is made for a direct line of appeal against the decisions of the district courts up to the Government itself, whose decision is final.

Rumania.

On the 4th September, 1920, an Act was passed by the Rumanian legislature concerning the regulating of collective labour disputes.

Chapter I of the Act lays down general principles regarding liberty to work. Chapter II deals with collective stoppages of work. Section 4 defines a collective stoppage of work thus: "A stoppage of work on the part of not less than one-third of the total number of workers in the industrial or commercial establishment or of the number of workers employed in one or more departments of the said establishment." The provisions of the Act apply to all industrial and commercial establishments regularly employing not less than 10 workers.

Part II deals with conciliation. If a dispute regarding the conditions of labour arises in any establishment covered by the Act, the workers must elect a delegation of from two to five persons "who shall endeavour in co-operation with the employer or his representative and before a representative of the Ministry of Labour to find a means of composing the dispute through conciliation." The representatives of each of the disputing parties must possess full powers from those who elected them. Regulations are laid down for the proceedings of such meetings.

Part III lays down that, if the conciliation proceedings fail to result in an agreement, the dispute must be referred to an arbitration commission for decision. Sec. 16 of the Act says: "Arbitration shall be compulsory and all collective stoppages of work shall be prohibited, in all state, departmental and communal undertakings and institutions, irrespective of their nature, and also in the following undertakings which serve public interests and the closing down of which would endanger the existence and health of the people or the economic and social life of the country:—

(*a*) undertakings for transport by land, water or air, including the persons employed in loading and unloading;
(*b*) petroleum wells and distilleries, coal mines, and undertakings for the utilisation of natural gas;
(*c*) gas and electricity works;
(*d*) water and power distribution works;
(*e*) mills, bakeries, and slaughter-houses;
(*f*) hospitals;
(*g*) sewage and street-cleaning undertakings; and
(*h*) public health services.

The subsequent sections of Part III of the Act (arbitration) lay down the constitution of the arbitration commissions. It is directed that the award of the arbitration

commission shall be given by a majority of votes, and, in default of a majority, or, in the event of both or either of the parties refusing to send representatives to the arbitration commission, the award shall be issued by the president.

Part IV of the Act lays down penal provisions for the breach of the Act. Any employer or worker who incites to a collective stoppage of work which is prohibited under the Act, even if the incitement remains ineffective, shall be liable to a fine of not less than 50 and not more than 1,000 lei. If the incitement takes place in a public utility service, the penalty of imprisonment for not less than one month and not more than one year may be imposed in addition to the fine. In cases of collective stoppages of work, the person or persons responsible for organising it are liable to a fine of not less than 50 and not more than 20,000 lei. Heavy penalties are also laid down for persons who fail to fulfil the terms of an agreement and also for persons who refuse to attend as witnesses. Failure to carry out the provisions laid down in the conciliation and arbitration proceedings "shall constitute sufficient reason for the termination of the contract of employment, and shall entitle the injured party to claim damages without prejudice to the application of the penal provisions of this Act in appropriate cases."

Chapter 3 of the Act prescribes special penalties for sabotage.

Norway.

On the 31st March, 1922, a compulsory arbitration Act was passed in Norway. This replaced the previous compulsory Act, which, after four years trial, had been allowed to lapse. This new Act provides that if the King is of opinion that a dispute between a trade union and an employer or an employers' association is liable to endanger important public interests, he may order that the dispute

shall be settled by arbitration. When he so orders, he may likewise prohibit the beginning or continuation of a strike arising out of the dispute. Pending the issue of the arbitration award, the conditions of work and wages obtaining at the outbreak of the dispute shall remain in force, unless the parties agree to any other arrangement. The Act makes detailed provisions for the constitution of arbitration courts, and their proceedings. An interesting provision in this connection is that the arbitration court may require evidence to be taken by any of the general inferior courts. The Act provides that fines of not less than 5 and not more than 25,000 kr. may be imposed upon

(*a*) any person who initiates or continues a look-out or takes part in a strike or a continuation thereof contrary to the prohibition contained in the Act. A person acting on behalf of an employer is punishable unless the employer is convicted.

(*b*) The members of the executive of a trade union or employers' association, who co-operate in a strike or lock-out contrary to the prohibition contained in the Act by participating in a resolution to initiate, continue or approve a stoppage of work, or to support it by payments from the funds of the association, or who incite to such a cessation of work or collect or distribute contributions for its continuance.

The Act was passed in the first place for one year only.

Sweden.

In 1920, the Swedish legislature passed three Acts governing conciliation and arbitration. The first, passed on the 28th May 1920, deals with conciliation; the second, passed on the same date, deals with the constitution of a Central Arbitration Board for certain trade disputes; and

the third, also passed on the same date, deals with special arbitrators in trade disputes.

The first Act continues the system by which the King appoints conciliators for such districts as the country may be divided into for the purpose. The duties of a conciliator generally are, in the words of the Act, as follows:—

(1) to follow with close attention the conditions of work within his sphere;

(2) in the cases and manner contemplated in the Act, to lend his assistance in the settlement of trade disputes arising within his sphere; and

(3) in other respects, on request, to assist employers and workers to conclude agreements likely to establish good relations between them and to prevent strikes and lock-outs.

The Act proceeds to furnish very detailed instructions for the conduct of conciliation. Section 8 provides that, if the proceedings before the conciliator lead to no agreement, the conciliator may urge the parties to allow the dispute to be settled by a board or court of arbitration for labour disputes, expressly set up by law, or else to commission one or more persons, whose award they pledge themselves to observe, to arbitrate in the dispute. Provision is made for the appointment of experts and experienced persons acting as a special conciliation commission to intervene in the dispute either jointly with the conciliator concerned or separately, if the dispute is likely to lead to a breach of the peace.

The Second Act establishes a Central Arbitration Board which may decide questions respecting the meaning and application of collective agreements, if such questions are referred to the Board under the provisions of the agreement or by any other arrangements between the parties. The Arbitration Board cannot deal with such

questions if the arbitration agreement provides for the right of the parties to refuse arbitration, or if legal judgment is pending in any question connected with the dispute.

The Third Act provides for special arbitrators in trade disputes, and lays down that the King may appoint special persons at the request of the several parties to decide trade disputes which have been referred by the parties to arbitration, or at the request either of the parties or of the elected arbitrator, to take part as independent chairman in the arbitration board procedure for the settlement of such disputes.

It is impossible to refer here in detail to the many recent developments in respect to Works Councils, Works Committees, Wages Councils, Industrial Courts, and other labour laws passed, or proposed, in the many central European states, and also other new states, such as Esthonia [1], Georgia and Finland[2]. Some of these states have been very active in social and labour legislation—particularly Czecho-Slovakia. Mention may be made of the Austrian executive instructions issued in November, 1918, respecting the establishment of Conciliation Boards, and of the Industrial Courts Act passed in 1922. Austrian Works Councils are regulated by an Act of 15th May, 1919, respecting the establishment of Works Councils. [3]

[1] The Government of Esthonia, by an order of the 25th April, 1921, prohibited strikes in public utility services.

[2] An Act on Collective Agreements was promulgated on the 22nd March, 1924, to come into force on the 1st January, 1925. Other Finnish Acts bearing on the same subject are the Labour Agreements Act (1st June, 1922), and the Apprentices Agreements Act (28th April, 1923) A Seamen's Act was passed on the 8th March, 1924. A Bill on conciliation and arbitration is stated to be in preparation.

[3] For a full account of this Act, see an article by Professor Adler, in the *International Labour Review*, March, 1922. An Act of 18th December, 1919, was passed respecting the establishment of conciliation boards (see International Labour Office, Legislative Series, 1920, Aus 22). The Industrial Courts Act (5th April, 1922) supplements this Act. The industrial courts set up by the Industrial Courts Act are competent "to decide all legal disputes irrespective of the amount or value of the claim" arising in six specified branches of work, but the provisions of the Act do not affect "the exclusive competence" of the conciliation boards set up by the Works Councils Acts and the Conciliation Act.

In August, 1919, Poland passed an Act, amended in March, 1921, on the settlement of collective disputes between employers and workers in agriculture. This Act, unique of its kind, provides that collective disputes between agricultural workers and employers, which are not settled by agreement, may be settled (1) with the assistance of the inspectors of agricultural labour , (2) by a conciliation board ; and (3) by an arbitration board. The inspector of agricultural labour is empowered, at the request of one of the parties to the dispute, or on his own initiative to invite both parties or their representatives to appear before him to arrive at an agreement, or to form a conciliation board. The chief civil authority on the district (atarosta) is empowered to nominate representatives where there are no organisations Heavy fines are laid down for persons refusing to answer the inspector's summons If either of the parties desires an arbitration board, the inspector must propose it to the other party, and if they both agree a board must be constituted, the award of which is legally binding on all agricultural workers and employers in the district in question. All future wage contracts in the district must be deemed to have been concluded on the basis of the award, so long as the award is operative. Czecho-Slovakia passed an Act on the establishment and duties of Works Committees in August, 1921. The Act makes provision for arbitration boards in cases of dismissal, and declares it the duty of Works Committees to see that arrangements agreed upon before conciliation and arbitration boards are observed. In March, 1921, an Act was passed by the same state for the encouragement of building. This Act provides for special wages, arbitration courts in the building-industry. Works Councils Acts and orders have been passed or issued in Bremen (Act respecting the Council of Wage Earning Employees, 17th July, 1921), Norway (Provisional Act respecting Works Councils in

Industrial Undertakings, 23rd July, 1920), and Luxemburg (Works Councils Decree, 8th October, 1920). Special note may be made of the Conciliation Order of the Hungarian government, issued on the 3rd September, 1923. It deals with strikes in private industrial undertakings, and empowers the Minister of Commerce to nominate three conciliators, who have to set to work at once on a report from the industrial inspector that a dispute has broken out. The Order is notable for the meticulous care exercised in it regarding procedure, an unusual feature of which is that the conciliator who begins the negotiations by establishing the facts of the case shall act as chairman of the committee of conciliation. A unique Act is the Bulgarian Compulsory Labour Act. The Bulgarian government has also promised, as part of its recent election programme, a bill on conciliation boards. During the three years immediately following the end of the War there was something like a wave of compulsion in regard to industrial peace. Several of the laws have been quoted, but numerous other compulsory proposals were made, not only in Europe (as in Yugo-Slavia) but in South America (*e. g.*, Paraguay, Chile and the Argentine Republic). It is worthy of note that many of these proposals have never fructified. For further details of Acts passed and proposals pending in the central European states, and in the world at large, reference must be made to the publications of the International Labour Office.

APPENDIX B.

Proposals of the Government of India.

Since the part dealing with trade union and conciliation legislation (*vide* pp. 270 sqq., *ante*) was written, the Government of India have circulated the two Bills for criticism—one, the Trade Disputes Investigation Bill, the other, the Trade Unions Bill. It is understood that these Bills will be introduced in the Legislative Assembly during the first session of 1925.

The bills with the covering letters, are reproduced *in extenso* below.

From—THE HON'BLE MR A. H LEY, C.I.E., C.B.E., I.C.S., Secretary to the Government of India, Department of Industries and Labour,

To—All Local Governments and the Chief Commissioners of Delhi, Ajmer-Merwara and North-West Frontier Province.

I am directed to address you on the question of legislation for the investigation and settlement of trade disputes. The question is one which has been considered by the Government of India on several occasions. It was last raised by them in 1920, when they addressed Local Governments in the letter from the Board of Industries and Munitions, No. I-802 (2), dated the 21st April, 1920, on the subject of legislation on the lines of the British Industrial Courts Act of 1919. At that time the Government of India inclined to the opinion that legislation on English lines was unlikely to be effective in this country in preventing, or securing the early settlement, of strikes. The majority of Local Governments agreed with this view, and it appeared to the Government of India that there was then no large body of public opinion in favour of legislation of the type suggested. They, therefore, took no immediate steps to initiate legislation, but they drew attention to the possibilities of Works Committees in allaying industrial unrest, and made arrangements for a further examination of the whole question. Information was collected regarding the laws in force in other countries and the extent to which they had been successful, and much of this information was published in the form of a bulletin (Bulletin of Indian Industries and Labour, No. 23, Conciliation and Arbitration by R. N. Gilchrist). Detailed information has also for the past four years been collected regarding

the course of industrial unrest in India, and the history of all important strikes, and close attention has been paid to the sporadic efforts at conciliation which have from time to time been made, and to the general trend of public opinion.

2. It appears to the Government of India that the position has undergone considerable alteration since 1920. The increase of industrial unrest in the winter of 1920-21 led to the stimulation of public interest in labour questions, and the importance of the problem raised by strikes and lock-outs received general recognition. The fact that several of the more protracted strikes occurred in public utility services strengthened the demand that some efforts should be made towards a solution of the problem. In nearly every strike or lock-out of importance which has occurred in the last three years there has been a fairly strong demand from some section of the public for a reference of the points at issue to arbitration. The increased attention given to industrial disputes has, moreover, been followed by a steady increase in the influence exerted by public opinion on the course of those disputes. This influence has been promptly recognized by employers and workers, and in all the more serious strikes both parties to a dispute now endeavour, by the presentation of their case in the press and elsewhere, to influence public opinion towards the support of their claim.

3. It is not irrelevant to refer in this connection to the gradual growth of trade unionism in India. It is true that trade unions may be said to be in their infancy in this country, and such unions as exist are far from having adopted the more advanced principles on which the trade unionism of western countries is based. Although, however, the organization of trade unions in India is as yet undeveloped, it is only reasonable to suppose that their influence is likely to increase as they gain cohesion and the sense of responsibility, and the advance of trade unionism should be stimulated, if legislation for the registration and protection of trade unions, about which I have addressed you in my letter No. L.-925, dated the 30th August 1924, is passed. The growth of trade unions in this country is likely, in the opinion of the Government of India, to render legislative measure for the investigation and settlement of trade disputes at once more necessary and more easy of application.

4. Meanwhile, the whole question has been examined in detail in the two leading industrial provinces. Debates in the Legislative Council led to the appointment of strong committees in Bengal in March 1921 and in Bombay in November 1921 to consider means of alleviating industrial unrest. The Bengal Committee laid stress on the value of Works Committees and favoured the institution of Conciliation Courts to deal with disputes in public utility services. The Bombay Committee reported in favour of the statutory establishment of industrial courts. Finally, interest in the subject was stimulated by the big strike in the cotton mills in Bombay which occurred at the beginning of this year, and the

Government of Bombay prepared a Bill to provide for enquiry into, and settlement of, trade disputes for introduction in the Legislative Council.

5. It appears to the Government of India, therefore, that the time is now ripe for undertaking legislation of some kind, designed with a view to assisting in the prevention, or settlement, of trade disputes. They are further of opinion that the question is an all-India question, and that the legislation should be introduced in the Central legislature, and with this view they have prepared a draft Bill, which is forwarded with this letter. No legislation of the type suggested can be effective unless supported by a large measure of public opinion, and the Government of India are anxious to give full opportunity for criticism before they present any proposal to the legislature. The draft Bill must, therefore, be regarded as embodying suggestions of a provisional nature, on which they desire public opinion to be freely canvassed. They have preferred to express their views in the form of a Bill rather than in the more usual form of a general discussion, because they believe that, in a matter of this kind, those interested will find it easier to approve or to criticise concrete proposals than to express abstract opinions on the question at issue.

6. It is not the intention in this letter to discuss in detail the provisions of this measure It is sufficient to refer briefly to general principles; the details will, of course, be further examined on the receipt of the views of Local Governments and the public generally. The first 15 clauses are based on the principles of Part II of the English Industrial Courts Act, 1919. They empower (but do not compel) the Government, when any dispute arises or is apprehended, to refer the dispute to a Board. The proposals, however, go somewhat beyond the provisions of Part II of the English Act, in that they definitely impose on the Board the duty, not merely of investigating a dispute, but of endeavouring to bring about a settlement. It will be observed that the Bill is in no sense a Bill providing for compulsory arbitration in trade disputes, a principle which, in the opinion of the Government of India, would be unsuitable in the circumstances of this country. The object of this part of the Bill is merely to place Government in a position to offer to the parties involved in a dispute the services of an impartial tribunal to assist them in coming to a just settlement of their respective claims, and the principle underlying the measure is throughout the appeal to public opinion. The fact that a tribunal of this kind can be quickly called into existence should make it more difficult than it is at present for either party to refuse conciliation, and the force of public opinion should prove a powerful factor in inducing the parties to a dispute to accept the findings of the Board when they have been promulgated.

7. Clauses 16 and 17, however, which deal with disputes in public utility services, go considerably further. It will no doubt be admitted that disputes in services whose continuous working is

essential to the well-being of the community stand on a somewhat different footing from ordinary trade disputes. If a strike takes place in a transport service, or in the post and telegraph service, the public has usually to suffer loss, and a strike which assumes serious proportions may result not only in paralysis to trade and industry but in positive danger to the general public. A strike or lock-out affecting the supply of light or water to a city constitutes a menace to public health and safety. In such cases it appears to the Government of India that the public, who are vitally interested, can reasonably demand that Government shall do what it can to prevent the occurrence of a strike or lock-out. This view appears to be receiving an increasing measure of support. The advisability of taking action to prevent stoppages of work in public utility services has lately been urged by several Local Governments in connection with the proposals for trade union legislation. The idea has received the support of a number of the leading employers and has been expressly endorsed by the Associated Chambers of Commerce. Nor, if provision is made for the investigation of grievances, is the principle of intervention likely to be unwelcome to the great majority of workers who are the first to suffer when strikes or lock-outs take place.

8. It may be held that if a satisfactory procedure for the settlement of disputes is devised, there is no logical objection to the prohibition by legislative enactment of all stoppages of work in public utility services. The illegality of strikes in certain cases finds a place in English law in the Conspiracy and Protection of Property Act, 1875, and the principle is also reflected in the Indian Post Office Act. In some countries far more ambitious and far-reaching attempts have been made to prohibit strikes by legislation. The Government of India doubt, however, if provisions of this nature would achieve the end they have in view. They are inclined to think that it is unwise, and probably impracticable, to attempt to prohibit absolutely stoppages of work in public utility services in India. They believe that, if they can secure the postponement of a stoppage of work in such services until an attempt has been made to secure conciliation, they will have gone as far as is, at present at any rate, advisable towards the solution of the problem.

9. Clauses 16 and 17 of the draft Bill accordingly follow the principle of the Canadian Industrial Disputes Investigation Act of 1907, in requiring the reference of disputes in public utility services to an impartial Board before a strike or lock-out takes place. The purpose is to ensure the recognition of the interests of the public as a third party in such disputes; the safeguard is, as throughout the Bill, the appeal to public opinion. The Board will be able to make a full investigation into the merits of the dispute, and may be able in many cases to bring the parties to an amicable settlement. If they fail to do this, the next step will be the publication of their award pronouncing on the points at issue. Thereafter, the parties will be free to declare a strike or a lock-out, if they so desire. While penalties are imposed on persons responsible for strikes or

lock-outs, pending the reference of a dispute to a Board, the existence of these penalties must not be regarded as the central feature of the Bill. It is hoped that, quite apart from the existence of penalties, the influence of public opinion will prevent a rash and unconsidered stoppage of work, while the means for settling a dispute are at hand. If the Boards can command public confidence, the parties will find it difficult to refuse to accept their findings.

10. It will be observed that clauses 16 and 17, as drafted, do not apply automatically to any public utility service. They will only apply to such services to which they are specifically declared by Government to be applicable. The reason why the Government of India have thought it advisable to draft the Bill in this way is that the circumstances of different public utility services vary considerably, and action penalizing strikes pending reference to a Board may be desirable in respect of one such service and unwise in respect of another. Opponents of legislation of this type have always laid considerable emphasis on the danger that, so far from aiding in the prevention or settlement of srikes or lock-outs, it may actually, have the effect of prolonging them. The Government of India are alive to this danger. Experience in this country, for instance, has shown that the forfeiture of long service gratuities for participation in a strike on a railway has tended in some cases to prolong the strike. Such considerations may not be applicable to other public utility services. The proposal to render strikes or lock-outs in public utility services illegal must be regarded as of an experimental nature in this country at present, and it has appeared to the Government of India preferable, therefore, to draft the Bill in such a way as to enable Government to proceed gradually in this matter, and to make advances or withdrawals in the light of experience gained. The Government of India desire particularly to be furnished with the views of the Local Government on the suitability of these clauses and the wisdom of their application to particular public utility services, in the light of the remarks made in this paragraph.

11. Finally, I am to say that the Government of India are not unconscious of the difficulties in undertaking legislation of this character. The size of the country, the illiteracy of the workmen, the comparative lack of well-developed organizations among them, the presence in too many trade disputes of differences which are not economic, and the fact that the articulate section of the public is still comparatively small, all tend to complicate the problem. The Government of India believe, however, the difficulties are not insuperable, and they consider that, at the stage of industrial progress which India has already reached, the proposals now put forward offer the hope of some diminution of industrial unrest.

A Bill to make provision for enabling the investigation and settlement of trade disputes.

WHEREAS it is expedient to make provision for enabling the investigation and settlement of trade disputes; It is hereby enacted as follows :—

Short title, extent and commencement.

1. (1) This Act may be called the Trade Disputes Investigation Act, 192 .

(2) It extends to the whole of British India, including British Baluchistan and the Sonthal Parganas.

(3) It shall come into force on such date as the Governor General in Council may by notification in the *Gazette of India* appoint.

Interpretation.

2. (1) In this Act, unless there is anything repugnant in the subject or context,—

(a) "Board" means a Board of Investigation and Conciliation constituted under this Act;

(b) "employer" means in the case of any industry, business or undertaking carried on by any department of the Government, the head of the department;

(c) "lock-out" means the closing of any place of employment, or any suspension of work, or any refusal by an employer to continue to employ any number of his workmen, where such closing, suspension or refusal occurs in consequence of a dispute and is intended for the purpose of compelling the workmen of the employer, or of aiding another employer in compelling his workmen, to agree to any action taken or proposed to be taken by the employer;

(d) "prescribed" means prescribed by rules made under this Act;

(e) "public utility service" means any industry, business or undertaking which maintains or supplies power essential for the maintenance of—

(i) any railway, tramway or inland steamer service; or
(ii) the postal or telegraph service; or
(iii) a supply of light or water to the public; or
(iv) any system of public conservancy or sanitation;

and includes any industry, business or undertaking which the Governor General in Council may, after giving by notification in the *Gazette of India* not less than three months' notice of his intention so to do, by a

like notification declare to be a public utility service for the purposes of this Act;

(*f*) "railway company" means a railway company as defined in section 3 of the Indian Railways Act, 1890; IX of 1890.

(*g*) "strike" means a cessation of work by a body of workmen acting in combination, or a concerted refusal or a refusal under a common understanding of any number of workmen to continue to work for an employer, where such cessation or refusal occurs in consequence of a dispute and is intended for the purpose of compelling the employer, or of aiding other workmen in compelling their employer, to concede any demand of the workmen; and

(*h*) "workman" means any person employed by an employer for hire or reward, but does not include any person employed in the Naval, Military or Air Service of the Crown or in the Royal Indian Marine Service.

(*2*) For the purposes of this Act, no person shall be deemed to have ceased to be an employer or a workman of any employer, by reason only of a lock-out or strike, or by reason of any dismissal giving rise to a dispute which has within thirty days of the dismissal been referred to a Board under this Act.

Reference of Disputes to Boards.

Reference of disputes to Boards.

3. If any dispute arises or is apprehended between an employer and any of his workmen, the Local Government, or, where the employer is the head of any department under the control of the Governor General in Council, or is a railway company, the Governor General in Council may, by order in writing, refer the dispute for investigation and settlement to a Board:

Provided that, where arrangements for settlement of disputes by conciliation or arbitration have been made in pursuance of an agreement between the employer and any organization representative of a substantial proportion of the workmen or of an agreement to which the employer and such organization are parties, the dispute shall not be referred to a Board under this section unless and until there has been a failure to obtain a settlement thereof by means of those arrangements.

Constitution of Boards.

Formation of panels for the constitution of Boards.

4. (*1*) As soon as may be after the commencement of this Act, the Governor General in Council and each Local Government shall form, for the purpose of constituting Boards to which disputes may be referred by them respectively, three panels consisting respectively—

(*a*) of persons representing the interests of workmen;

(*b*) of persons representing the interests of employers ; and

(*c*) of persons suitable for appointment as Chairmen of Boards.

(*2*) Each panel shall consist of not less than five persons who shall be nominated by the Governor General in Council or the Local Government, as the case may be, and who shall have expressed their willingness to serve on Boards as Chairmen thereof, or, as the case may be, to represent the interests on behalf of which it is proposed to nominate them respectively.

(*3*) A person nominated to a panel under this section shall be liable during a period of three years to serve upon any Board when called upon to do so by the authority by which he was nominated :

Provided that any such person may apply for the removal of his name from the panel, and, if he does so, his name shall be removed accordingly.

(*4*) Subject to the provisions of sub-section (*2*) any person may be nominated to a panel at any time, whether to fill a vacancy or otherwise.

Constitution of Board.

5. (*1*) Every Board shall consist of three persons, of whom one shall be appointed from each of the three panels formed under section 4 by the authority by which the Board is constituted :

Provided that, where the Board is to be constituted by a Local Government and the Local Government is of opinion that the dispute in question affects the interests of another province, it shall intimate such opinion to the Local Government of that province and shall, if that Local Government so requires, appoint to the Board two additional members nominated by that Local Government, one from the panel of workmen's representatives and one from the panel of employers' representatives formed by that Local Government under section 4.

(*2*) No person shall be appointed to be a member of a Board who has any financial or other substantial interest in the settlement of the dispute in respect of which the Board is to be constituted.

Notification of the constitution of Boards.

6. As soon as possible after a Board has been constituted, the names of the members thereof shall be published in the *Gazette of India* or the local official Gazette, as the case may be, and shall be notified in such manner as may be prescribed to the parties to the dispute.

Vacancies.

7. Every vacancy in the membership of a Board shall be filled from the same panel from which the member whose appointment is vacant was originally appointed.

Finality of order constituting Boards.

8. No order of the Governor General in Council or of a Local Government nominating any person to a panel or appointing any person as a member of a Board shall be called in question in any manner whatsoever.

Functions, Powers and Procedure of Boards.

Duties and powers of Boards

9. (*1*) Where a dispute has been referred to a Board under this Act, it shall be the duty of the Board to endeavour to bring about a settlement of the same, and for this purpose the Board shall, in such manner as it thinks fit and without delay, investigate the dispute and all matters affecting the merits thereof and the right settlement thereof, and in so doing may do all such things as it thinks fit for the purpose of inducing the parties to come to a fair and amicable settlement of the dispute, and may adjourn the proceedings for any period sufficient in its opinion to allow the parties to agree upon terms of settlement.

(*2*) In making any such investigation, a Board shall have the same powers as are vested in a Court under the Code of Civil Procedure, 1908, when trying a suit in respect of the following matters :— V of 1908.

(*a*) enforcing the attendance of any person and examining him on oath ;

(*b*) compelling the production of documents and material objects ; and

(*c*) issuing commissions for the examination of witnesses ;

and shall have such further powers as may be prescribed.

Procedure.

10 (*1*) All questions arising for decision by a Board shall be decided by a majority of the votes of the members thereof.

(*2*) The presence of the Chairman and at least one other member of the Board shall be necessary to constitute a sitting of a Board.

(*3*) A Board shall in holding an investigation follow such procedure as may be prescribed.

Recommendations and reports.

11. (*1*) If a settlement of a dispute is arrived at by the parties thereto after it has been referred to a Board and during the course of the investigation thereof, a memorandum of the settlement shall be drawn up by the Board and signed by the parties, and the Board shall send a report of the settlement, together with the memorandum to the authority by which the Board was constituted.

(*2*) If no such settlement is arrived at during the course of the investigation, the Board shall, as soon as possible after the close thereof, send a full report regarding the dispute to the authority by which the Board was constituted, setting forth the proceedings and steps taken by the Board for the purpose of ascertaining the facts and circumstances relating to the dispute and of endeavouring to bring about a settlement thereof, together with a full statement of such facts and circumstances and its findings therefrom and the recommendation of the Board for the settlement of the dispute.

(*3*) The recommendation of the Board shall deal with each

item of the dispute and shall state in plain language what, in the opinion of the Board, ought and ought not to be done by the respective parties concerned.

Form of report.

12. The report of a Board shall be in writing and be signed by all the members of the Board:

Provided that nothing in this section shall be deemed to prevent any member of a Board from recording a minute of dissent from a report or from any recommendation made therein.

Publication of report.

13. Every report made by a Board shall be published in the *Gazette of India* and in the local official Gazette of and province which, in the opinion of the Local Government thereof, is affected by the dispute, and a copy thereof shall be sent free of charge to the parties to the dispute and to any newspaper applying for the same, and further copies shall be distributed in such manner as to ensure that full publicity is given to the terms of the report, and the authorised Officer shall upon application supply certified copies on payment of the prescribed fee to any person who applies therefor.

Power of entry and inspection.

14. (*1*) A Board or any member thereof or any other person authorised in writing by a Board in this behalf may, for the purposes of any investigation entrusted to the Board under this Act, at any time between the hours of sunrise and sunset, enter any building, factory, workshop or other place or premises whatsoever and inspect the same or any work, machinery, appliance or article therein or interrogate any person therein in respect of anything situated therein or any matter relevant to the subject matter of the investigation.

(*2*) Any person who wilfully hinders or obstructs a Board or any such member or person aforesaid in the exercise of any power conferred by this section or refuses without reasonable excuse to answer any question put to him in the exercise of such power shall be deemed to have committed an offence under section 186 of the Indian Penal Code.

XLV of 1860.

Documents, etc., to be kept confidential.

15. (*1*) Any book, paper or other document or thing produced before a Board may be inspected by the Board and by such of the parties or their representatives as the Board may permit, but the information derived therefrom shall, except in so far as the Board deems it necessary to refer thereto in its report, be kept confidential, and such parts of all books, papers and other documents so produced as in the opinion of the Board do not relate to the matter at issue shall if possible, be sealed up.

(*2*) If any member of a Board or any person to whom inspection of any book paper or other document or thing has

been permitted by a Board under sub-section (*1*) discloses any information derived therefrom in contravention of the provisions of that sub-section, he shall, on complaint made by or under the authority of the person on whose behalf such book, paper, document or thing was produced before the Board, be punishable with fine which may extend to one thousand rupees :

Provided that nothing in this sub-section shall apply to the disclosure of any such information for the purposes of a prosecution under section 193 of the Indian Penal Code. XLV of 1810.

Public Utility Services.

Prohibition of strikes and lock-outs in certain public utility services.

16. (*1*) Where the Governor General in Council, in the case of any public utility service carried on by him or under his authority, or by a railway company or the local Government, in the case of any other public utility service, has by general or special order published in the *Gazette of India* or the local official Gazette, as the case may be, declared this section to be applicable to such service, it shall not be lawful for any employer to declare or enforce a lock-out as against any workmen employed in such service or for any such workmen to take part in a strike, on account of any dispute unless notice of the proposed lock-out or strike has been sent to the prescribed officer, and—

(*a*) Where no order has been made for the reference of the dispute to a Board under this Act, until the expiry of thirty days from the date of the notice ; or

(*b*) Where such an order has been made, until the expiry of ninety days from the date of the notice or until the expiry of seven days from the date of the publication of the report of the Board under section 13, whichever date is earlier.

(*2*) Any employer who declares or enforces a lock-out in contravention of the provisions of sub-section (*1*) shall be punishable with fine which may extend to two thousand rupees.

(*3*) Any workman who takes part in a strike in contravention of the provisions of sub-section (*1*) shall be punishable with fine which may extend to twenty-five rupees.

(*4*) Any person who abets any contravention of the provisions of sub-section (*1*) shall be punishable with fine which may extend to two thousand rupees.

(*5*) No Court shall take cognizance of any offence under this section save on complaint made by, or under authority from, the Governor General in Council or the Local Government.

(*6*) No Court inferior to that of a Presidency Magistrate or a Magistrste of the first class shall try any offence under this section.

Notice of reduction in wages and rates.

17. (*1*) No employer shall enforce, as against any of his workmen employed in any public utility service to which the provisions of section 16 apply, any general reduction in wages or in rates paid for working overtime until he has given to the workmen, in such manner as may be prescribed, not less than one month's notice of his intention so to do.

(*2*) Any Board to which any dispute between an employer and his workmen has been referred, arising wholly or in part from the enforcement or the proposed enforcement of any general reduction of wages in a public utility service to which the provisions of section 16 apply, may order the employer not to enforce any such general reduction until such time as may be specified in the order.

Provided that any such order shall cease to have effect on the expiry of ninety days from the date of the notice under sub-section (*1*), or on the expiry of seven days from the date of the publication of the report of the Board under section 13, whichever date is earlier.

(*3*) Any employer contravening the provisions of sub-section (*1*) or contravening a subsisting order made under section (*2*) shall be punishable with fine which may extend to two thousand rupees.

Rules.

Power to make rules.

18 (*1*) The Governor General in Council in respect of industries, businesses and undertakings carried on by him or under his authority, or by a railway company and the Local Governments in respect of other businesses, industries, or undertakings within their respective provinces may make rules for the purpose of giving effect to the provisions of this Act.

(*2*) In particular and without prejudice to the generality of the foregoing power, such rules may provide for all or any of following matters, namely .

(*a*) the powers and procedure of Boards ;
(*b*) the representation before a Board of parties to a dispute ;
(*c*) the allowances admissible to members of Boards and to witnesses ;
(*d*) the ministerial establishment which may be allotted to a Board and the salaries and allowances payable to members of such establishments ;
(*e*) the manner in which notice of changes in rates of wages or of overtime pay shall be given under section 17 ; and
(*f*) any other matter which is to be or may be prescribed.

(*3*) All rules made under this section shall be published in the *Gazette of India* or the local official Gazette, as the case may be, and shall, on such publication, have effect as if enacted in this Act.

The Trade Unions Bill.

From—THE HON'BLE MR. A. H. LEY, C.I.E., C.B.E., I.C.S., Secretary to the Government of India, Department of Industries and Labour,

To—All Local Governments and the Chief Commissioners of Delhi, Ajmer-Merwara and North-West Frontier-Province.

I am directed to refer to this department's letter No. L. 925,[1] dated the 12th September 1921, and to the reply sent by your Government to it. The Government of India have now examined the replies received to that letter from Local Governments and the numerous opinions expressed by employers' and workers' associations throughout the country. They have already, in the Legislative Assembly, assented to the view that a measure of the kind now under discussion should be introduced in the Central Legislature, and the Trade Union Bill enclosed has accordingly been prepared, after consideration of the replies and opinions received, with a view to introduction in the Legislative Assembly. It is not intended in this letter to discuss in detail the provisions of the draft Bill, but I am desired to make the following remarks on some of its principal features.

2. In paragraph 15 of Mr. Chatterjee's letter referred to above, the Government of India suggested that the registration of trade unions should be optional and not compulsory. This is a question on the settlement of which the whole character of the Bill depends. The replies of Local Governments exhibit an acute division of opinion on the point, but, in the view of the Government of India, optional registration affords the only sound basis for legislative action. The main anxiety of many of the advocates of compulsory registration appears to be to place restrictions on trade unions. But the object which the Government of India have consistently had in mind has been to grant to trade unions a position in the eyes of the law which shall be at once definite and privileged, and while such a position must be attended by limitations in the interests not only of the body politic but of trade union members themselves, it appears to the Government of India to be as unnecessary as it would be unwise to impose general restrictions on combinations for trade purposes. Compulsion necessarily involves penalties for evasion, and if registration is to be compulsory, an attempt must be made to ensure that those who fail to register are suitably punished. This would mean the introduction of legislation on lines attempted in England a century ago, but long abandoned there and now generally regarded as inequitable and unjust. The Government of India have therefore reached the conclusion that registration must be optional, and that trade unions should be given

[1] See p. 271 *ante*.

every reasonable inducement to register. They propose, accordingly, to confine the privileges conferred by the Act to registered unions. Unregistered unions will be left, both as regards privileges and obligations, in their present position.

3. In addition, therefore, to making provision for the registration of trade unions, the Bill aims at conferring upon registered trade unions certain definite privileges. These privileges include a considerable measure of immunity from civil suits and criminal prosecutions directed against trade unions and their members. Under the existing law, officers and members of a trade union who, in order to further a strike, induce workmen to break their contracts with their employers can be sued in the civil courts and may in certain circumstances be liable to criminal prosecution. The Bill now drafted protects them from these risks. As regards immunity from criminal prosecution, the only question is that of conferring protection from the law relating to conspiracy. This has been effected by the introduction of a clause modifying the operation of section 120B of the Indian Penal Code in respect of trade unions and their officers and members. Clause 17 (*1*), which is taken from section 3 of the British Trade Disputes Act, 1906, gives protection from civil suits. The Government of India consider it necessary also to modify the operation of the law of agency, in such a manner as to give trade union funds some protection from liability for tortious acts committed by persons acting on their behalf Clause 17 (*2*) which has been inserted in the Bill with this object follows the lines suggested in paragraph 26 of this department's letter No. L. 925 of 12th September 1921. While some replies have criticised this proposal on the ground that it confers too large a measure of immunity on trade unions, a few replies, which favour the adoption of section 4 (*1*) of the British Trade Disputes Act of 1906, have expressed the view that the clause does not go far enough. The proposal embodied in the draft Bill has received a large measure of support and in the opinion of the Government of India will command general acceptance.

4. The question of the extent to which agreements between members of a trade union should be enforceable was touched upon in paragraphs 9 and 10 of this department letter No. L. 925 of 12th September 1921. The provisional views of the Government of India, after considering the replies received, are embodied in clause 18 of the draft Bill, which represents a compromise between extreme views. The effect of this clause, if adopted, will be that while members of a trade union could not be forced by a suit to strike or to refuse to strike, or to accept any agreed conditions of work, agreements such as those regarding the payment of subscriptions and the payment of benefits under the trade union rules will be enforceable in the civil courts.

5. It will be observed that no direct restrictions have been placed in the draft Bill on the objects which a trade union may pursue. It will, of course, be within the discretion of the registrar to refuse

registration to an organization which does not propose to include *bonâ fide* trade union objects, as the privileges conferred on trade unions cannot be extended to any organization which chooses to claim that title. But while a trade union can include among its objects aims not strictly germane to trade unionism, care has been taken to prevent the dissipation of trade union funds on such objects. The question of the inclusion of political objects among those upon which funds can be expended has received careful consideration, and following the great majority of the replies received, the Government of India have decided to exclude such objects from the list. This will not prevent trade unions or their leaders from advocating political policies, but it will ensure that funds contributed primarily for trade union purposes are not expended on causes in which the bulk of the members have little interest. If any sections of employed wish to form an organization for political purposes, and to raise subscriptions for that purpose, there is nothing to prevent their doing so, but there appears to be no strong reason for conferring in such cases privileges designed to protect organizations of an essentially different type.

6. It is of importance, if trade unions are to develop along healthy lines, that the interests of the members should be adequately safeguarded. It is essential therefore that those who join and who subscribe to such associations should have some guarantee that their rights and their investments will be properly protected. In the case of other corporate bodies recognized by law, precautions are taken to ensure that the members and the public are placed in possession of adequate information regarding their financial transactions. The fact that the average worker in this country is ill-educated increases the necessity for such precautions in the case of trade unions. Provision is accordingly made for a regular audit of the funds of the union. The Government of India are convinced that those who are honestly endeavouring to forward the trade union movement in this country will welcome such a provision.

7. But the interests of the members in their own unions should not be purely financial. No trade union, however sound its financial position, can be regarded as healthy which is not supported by the active interest of the members in its affairs. Trade unionism is based on democratic ideals and a union which is conducted on behalf of the workers by men who have no share in their work or their position loses one of the essential features of trade unionism. The men conducting it may be animated by the highest motives and controlled by principles of integrity and unselfishness, but if they endeavour to control rather than to guide the union, they run the risk of converting it from a trade union into a philanthropic society. At the same time, the Government of India cannot accept the view of those who suggest that participation in the organization of a union should be confined to those

working in the industry concerned. Few workmen in Indian industry have the education necessary for the complete control of a union, and it has been shown on more than one occasion that the fear of victimization which is partly responsible for the presence of the "outsider" in trade unions is not altogether unjustified. The Government of India have therefore reached the conclusion that it would be unwise to exclude outsiders from the executive of a union, but that in the interests of trade unions themselves, a majority of the executive should belong to the industry concerned. This will not of course necessarily ensure that the workers exercise effective control of the executive, but it will assist in securing to a certain number of workers an education in trade union methods, and it may give the members generally a knowledge of and an interest in the union's affairs, of which they might otherwise be deprived.

8. In conclusion, I am to refer to the subject of picketing. In their previous letter, the Government of India discussed the possibility of making the executive of trade unions responsible for the prevention of the issue of orders authorizing picketing in any form. This suggestion has received some support, but the objections to it appear to have considerable force. The experience of the last few years has not revealed any urgent necessity for imposing a general restriction on picketing. Those trade unions who are willing to confine picketing to systematic persuasion would have reason to resent further limitations on their powers; those in whose hands it degenerates into intimidation can be dealt with by the ordinary criminal law. Provisionally, therefore, the Government of India have decided to include no provisions relating to picketing,

A Bill to provide for the registration of Trade Unions and in certain respects to define the law relating to registered Trade Unions in British India.

WHEREAS it is expedient to provide for the registration of Trade Unions and in certain respects to define the law relating to registered Trade Unions in British India; It is hereby enacted as follows:—

CHAPTER I.

Preliminary.

Short title, extent and commencement.

1 (*1*) This Act may be called the Indian Trade Unions Act, 192 .

(*2*) It extends to the whole of British India, including British Baluchistan and the Sonthal Parganas.

(*3*) It shall come into force on such date as the Governor General in Council may, by notification in the *Gazette of India*, appoint.

Definitions.

2. In this Act, unless there is anything repugnant in the subject or context,—

(*a*) "executive" means the body, by whatever name called, to which the management of the affairs of a Trade Union is entrusted;

(*b*) "officer," in the case of a Trade Union, includes any member of the executive thereof, but does not include an auditor;

(*c*) "prescribed" means prescribed by regulations made under this Act;

(*d*) "registered office" means that office of a Trade Union which is registered under this Act as the head office thereof;

(*e*) "registered Trade Union" means a Trade Union registered under this Act;

(*f*) "Registrar" means a Registrar of Trade Unions appointed by the Local Government under section 3, and "the Registrar," in relation to any Trade Union, means the Registrar appointed for the province in which the head

or registered office, as the case may be, of the Trade Union is situated;

(*g*) "trade dispute" means any dispute between employers and workmen or between workmen and workmen or between employers and employers which is connected with the employment or non-employment, or the terms of employment or the conditions of labour, of any person; and

(*h*) "Trade Union" means any combination, whether temporary or permanent, formed primarily for the purpose of regulating the relations between workmen and employers or between workmen and workmen or between employers and employers, and includes any federation of two or more Trade Unions.

CHAPTER II.

Registration of Trade Unions

Appointment of Registrars.

3. Each Local Government shall appoint a person to be the Registrar of Trade Unions for the province.

Mode of registration.

4. Any seven or more members of a Trade Union may, by subscribing their names to the rules of the Trade Union and by otherwise complying with the provisions of this Act with respect to registration, register the Trade Union under this Act.

Application for registration.

5. (*1*) Every application for registration of a Trade Union shall be made to the Registrar and shall be accompanied by a statement of the following particulars, namely:—

(*a*) the names of the members making the application;

(*b*) the name of the Trade Union and the address of its head office;

(*c*) a list of the titles, names, ages and occupations of the officers of the Trade Union;

(*d*) a copy of the rules of the Trade Union; and

(*e*) such further particulars as may be prescribed.

(*2*) Where a Trade Union has been in existence for more than one year before the making of an application for its registration, there shall be delivered to the Registrar, together with the application, a general statement of the assets of the Trade Union and of all receipts and expenditure of the Trade Union during the preceding year, prepared in such form and containing such particulars as may be prescribed.

6. A Trade Union shall not be entitled to registration under this Act, unless the executive thereof is constituted in accordance with the provisions of this Act, and the rules thereof provide for the following matters, namely:—

Provisions to be contained in the rules of a Trade Union.

(*a*) the name of the Trade Union;
(*b*) the whole of the objects for which the Trade Union has been established;
(*c*) the whole of the purposes for which the funds of the Trade Union shall be applicable, all of which purposes shall be purposes to which such funds are lawfully applicable under this Act;
(*d*) the maintenance of a list of the members of the Trade Union;
(*e*) the conditions under which any member shall be entitled to any benefit assured by the rules and under which any fine or forfeiture may be imposed on the members;
(*f*) the manner in which the rules shall be amended, varied or rescinded;
(*g*) the manner in which the members of the executive and the other officers of the Trade Union shall be appointed and removed, and the scales of salary, allowances and expenses to which they shall respectively be entitled;
(*h*) the safe custody of the funds of the Trade Union and an annual audit, in such manner as may be prescribed, of the accounts thereof;
(*i*) the right of every officer and member of the Trade Union to inspect, either by himself or by some person authorised by him in writing in this behalf, the account books of the Trade Union and the list of the members thereof; and
(*j*) the manner in which the Trade Union may be dissolved.

7. (*1*) The Registrar may, for the purpose of satisfying himself that any application complies with the provisions of section 5 or that the Trade Union is entitled to registration under section 6, call for such further information as he thinks fit, and may refuse to register the Trade Union until such information is supplied.

Power to call for further particulars.

(*2*) If the name under which a Trade Union is proposed to be registered is identical with that by which any other existing Trade Union has been registered or, in the opinion of the Registrar, so nearly resembles such name as to be likely to deceive the public or the members of either Trade Union, the Registrar shall require the persons applying for registration to alter the name of the Trade Union stated in the application, and shall refuse to register the Union until such alteration has been made.

8. The Registrar, on being satisfied that the Trade Union has complied with all the requirements of this Act in regard to registration, shall register the Trade Union by entering in a register, to be maintained in

Registration.

such form as may be prescribed, the particulars relating to the Trade Union contained in the statement accompanying the application for registration.

Certificate of registration.

9. The Registrar, on registering a Trade Union under section 8, shall issue a certificate of registration in the prescribed form which shall be conclusive evidence that the Trade Union has been duly registered under this Act.

Cancellation of registration.

10. A certificate of registration of a Trade Union may be withdrawn or cancelled by the Registrar—

(*a*) on the application of the Trade Union to be verified in such manner as may be prescribed, or

(*b*) if the Registrar is satisfied that the certificate has been obtained by fraud or mistake or that the Trade Union has ceased to exist or has wilfully contravened any provision of this Act or allowed any rule to continue in force which is inconsistent with any such provision or rescinded any rule providing for any matter provision for which is required by section 6:

Provided that not less than two months' previous notice in writing specifying the ground on which it is proposed to withdraw or cancel the certificate shall be given by the Registrar to the Trade Union before the certificate is withdrawn or cancelled otherwise than on the application of the Trade Union.

Appeal.

11. Any person aggrieved by any refusal of the Registrar to register a Trade Union or by the withdrawal or cancellation of a certificate of registration may, within such period, as may be prescribed, appeal to the Local Government or to such authority as it may appoint in this behalf.

Registered office.

12. All communications and notices to a registered Trade Union may be addressed to its registered office. Immediate notice of any change in the address of the head office shall be given to the Registrar, and the changed address shall be recorded in the register referred to in section 8.

Incorporation of registered Trade Unions.

13. Every registered Trade Union shall be a body corporate by the name under which it is registered and shall have perpetual succession and a common seal with power to acquire and hold both moveable and immoveable property and to contract, and shall by the said name sue and be sued.

Certain Acts not to apply to registered Trade Unions.

14. The following Acts, namely,—

(*a*) The Societies Registration Act, 1860,

(*b*) The Co-operative Societies Act, 1912,

(c) The Provident Insurance Societies Act, 1912. V of 1912.
(d) The Indian Life Assurance Companies Act, 1912, and VI of 1912.
(e) The Indian Companies Act, 1913, VII of 1913.
shall not apply to any registered Trade Union, and the registration of any such Trade Union under any such Act shall be void.

CHAPTER III.

Rights and Liabilities of registered Trade Unions.

Objects on which funds may be spent.

15. The funds of a registered Trade Union shall not be spent on any other objects than the following, namely:—

(a) the payment of salaries, allowances and expenses to officers of the Trade Union;

(b) the payment of expenses for the administration of the Trade Union, including audit of the accounts of the Trade Union;

(c) the prosecution or defence of any legal proceeding to which the Trade Union or any member thereof is a party, when such prosecution or defence is undertaken for the purpose of securing or protecting any rights of the Trade Union as such or any rights arising out of the relations of any member with his employer or with a person whom he employs;

(d) the conduct or furtherance of trade disputes on behalf of the Trade Union or any member thereof;

(e) the compensation of members for loss arising out of trade disputes;

(f) allowances to members or their dependants on account of death, sickness or unemployment of such members;

(g) the insurance of members against death, sickness or unemployment;

(h) the provision of educational, social or religious benefits for members, including the payment of the expenses of funeral or religious ceremonies for deceased members or for the dependants of members; and

(i) the upkeep of a periodical published mainly for the purpose of discussing questions affecting employers or workmen as such.

Criminal conspiracy in trade disputes.

16. No officer or member of a registered Trade Union shall be liable to punishment under sub-section (2) of section 120B of the Indian Penal Code, in respect of any agreement made between the members for the purpose of furthering any such object of the Trade Union as is specified in section 15, unless the agreement is an agreement to commit an offence.

Immunity from civil suit in certain cases.

17. (1) No suit or other legal proceeding shall be maintainable in any Civil Court against any officer or member of a registered Trade Union in respect of any act done by him in contemplation or furtherance of a trade dispute on the ground only that such act induces some other person to break a contract of employment or that it is in interference with the trade, business or employment of some other person or with the right of some other person to dispose of his capital or of his labour as he wills.

(2) No suit or other legal proceeding shall be maintainable in any Civil Court against a registered Trade Union in respect of any act done in contemplation or furtherance of a trade dispute by any person acting on behalf of the Trade Union, if it is proved that such person acted without the knowledge of, or contrary to express instructions given by, the executive of the Trade Union and that the executive has repudiated such act at the earliest opportunity and by all reasonable means and with reasonable publicity.

Enforceability of agreements

18. Notwithstanding anything contained in any other law for the time being in force, an agreement between the members of a registered Trade Union shall not be void or voidable merely by reason of the fact that any of the objects of the agreement are in restraint of trade:

Provided that nothing in this section shall enable any Civil Court to entertain any legal proceeding instituted for the express purpose of enforcing or recovering damages for the breach of any agreement concerning the conditions on which any members of a Trade Union shall or shall not sell their goods, transact business, work, employ or be employed.

Rights of minors to membership of Trade Unions.

19. Any person who has attained the age of fifteen years may be a member of a registered Trade Union subject to any rules of the Trade Union to the contrary, and may, subject as aforesaid, enjoy all the rights of a member and execute all instruments and give all acquittances necessary to be executed or given under the rules:

Provided that no person who has not attained the age of eighteen years shall be an officer of any such Trade Union.

Majority of officers to be connected with the industry.

20. A majority of the total number of the officers of every registered Trade Union shall be persons actually engaged or employed in the industry with which the Trade Union is connected.

Change of name.

21. Any registered Trade Union may, with the consent of not less than two-thirds of the total number of its members, change its name.

Amalgamation of Trade Unions.

22. Any two or more registered Trade Unions may become amalgamated together as one Trade Union with or without dissolution or division of the funds of such Trade Unions or either or any of them, provided that the votes of at least one-half of the members of each

or every such Trade Union entitled to vote are recorded, and that at least sixty per cent. of the votes recorded are in favour of the proposal.

23. Notice in writing of every change of name and of every amalgamation, signed in the case of a change of name, by seven members and by the Secretary of the Trade Union changing its name, and in the case of an amalgamation, by seven members and by the Secretary of each and every Trade Union which is a party thereto, shall be sent to the Registrar who shall, if he is satisfied that the provisions of this Act in respect of change of name or of amalgamation, as the case may be, have been complied with and, in the case of an amalgamation, that the Trade Union formed thereby is entitled to registration under section 6,—

Notice of change of name or amalgamation.

(*a*) register the change of name in the register referred to in section 8, or

(*b*) register the Trade Union in the manner provided in that section,

and the change of name or amalgamation shall have effect from the date of such registration.

24. (*1*) The change in the name of a registered Trade Union shall not affect any rights or obligations of the Trade Union or render defective any legal proceeding by or against the Trade Union, and any legal proceeding which might have been continued or commenced by or against it by its former name may be continued or commenced by or against it by its new name.

Effects of change of name and of amalgamation.

(2) An amalgamation of two or more registered Trade Unions shall not prejudice any right of any of such Trade Unions or any right of a creditor of any of them.

25. When a registered Trade Union is dissolved, notice of the dissolution signed by seven members and by the Secretary of the Trade Union shall, within fourteen days of the dissolution, be sent to the Registrar, and shall be registered by him if he is satisfied that the dissolution has been effected in accordance with the rules of the Trade Union, and the dissolution shall have effect from the date of such registration.

Dissolution.

26. (1) There shall be sent annually to the Registrar, on or before such date as may be prescribed, a general statement, audited in the prescribed manner, of all receipts and expenditure of every registered Trade Union during the year ending on the 31st day of March next preceding such prescribed date, and of the assets of the Trade Union existing on such 31st day of March. The statement shall be prepared in such form and shall comprise such particulars as may be prescribed.

Returns.

(2) Together with the general statement there shall be sent to the Registrar a statement showing all changes of officers made by

the Trade Union during the year to which the general statement refers, together also with a copy of the rules of the Trade Union corrected up to the date of the despatch thereof to the Registrar.

(*3*) A copy of every alteration made in the rules of a registered Trade Union shall be sent to the Registrar within ten days of the making of the alteration.

CHAPTER IV.

Regulations.

Power to make regulations.

27. (*1*) The Governor General in Council may make regulations for the purpose of carrying into effect the provisions of this Act.

(*2*) In particular and without prejudice to the generality of the foregoing power, such regulations may provide for all or any of the following matters, namely,—

(*a*) the manner in which Trade Unions and the rules of Trade Unions shall be registered;

(*b*) the transfer of registers in the case of any registered Trade Union which has changed its head office from one province to another;

(*c*) the manner in which and the persons by whom the accounts of registered Trade Union shall be audited;

(*d*) the conditions subject to which inspection of documents kept by Registrars shall be allowed and the fees which shall be chargeable in respect of such inspections; and

(*e*) any matter which is to be or may be prescribed.

Publication of regulations.

28. (*1*) The power to make regulations conferred by section 27 is subject to the condition of the regulations being made after previous publication.

X of 1897.

(*2*) The date to be specified in accordance with clause (3) of section 23 of the General Clauses Act, 1897, as that after which a draft of regulations proposed to be made will be taken into consideration shall not be less than three months from the date on which the draft of the proposed regulations was published for general information.

(*3*) Regulations so made shall be published in the *Gazette of India* and, on such publication, shall have effect as if enacted in this Act.

CHAPTER V.

Penalties and Procedure.

Failure to submit notices or returns.

29. (*1*) If default is made on the part of any registered Trade Union in giving any notice or sending any statement or other document as required by or under any provision of this Act, every officer or other person bound by the rules of the Trade Union to give or send the same, or, if there is no such officer or person, every member of the executive of the Trade Union, shall be punishable with fine which may extend to five rupees and, in the case of a continuing default, with an additional fine which may extend to five rupees for each week after the first during which the default continues.

(*2*) Any person, who wilfully makes, or causes to be made, any fâlse entry in, or any omission from, the general statement required by section 26 or in or from any copy of rules or of alterations of rules sent to the Registrar under that section, shall be punishable with fine which may extend to five hundred rupees.

Supplying false information regarding Trade Unions.

30. Any person, who, with intent to deceive, glves to any member of a registered Trade Union or to any person intending or applying to become a member of such Trade Union any document purporting to be a copy of the rules of the Trade Union or of any alterations to the same which he knows, or has reason to believe, is not a correct copy of such rules or alterations as for the time being in force, or any person who, with the like intent, gives a copy of any rules of an unregistered Trade Union to any person on the pretence that such rules are the rules of a registered Trade Union shall be punishable with fine which may extend to two hundred rupees.

Cognizance of offences.

31. (*1*) No Court inferior to that of a Presidency Magistrate or a Magistrate of the first class shall try any offence under this Act.

(*2*) No Court shall take cognizance of any offence under this Act, unless complaint thereof has been made within six months of the date on which the offence is alleged to have been committed.

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